(9)

No. 93-405-CFX
Status: GRANTED

Title: Digital Equipment Corporation, Petitioner
v.
Desktop Direct, Inc.

Docketed:
September 13, 1993

Court: United States Court of Appeals for the Tenth Circuit

Counsel for petitioner: Roberts,John G., Roberts Jr.,John G.

Counsel for respondent: Kennedy,John Paul, Kennedy,John Paul, Laycock,Larry R.

Entry	Date	Note	Proceedings and Orders
1	Sep 13 1993	G	Application (A93-252) for a stay of effect of the order of USDC of Utah pending the disposition of a petition for certiorari, submitted to Justice Thomas.
2	Sep 13 1993	G	Petition for writ of certiorari filed.
3	Sep 16 1993		Response to application (A93-252) from Desktop Direct, Inc. requested by Justice Thomas, due September 22, 1993.
4	Sep 22 1993		Response to application (A93-252) filed by Desktop Direct, Inc..
5	Sep 23 1993		(A93-252) Reply to Opposition to Application for stay filed by Digital Equipment Corporation
6	Sep 25 1993		Application (A93-252) referred to the Court by Justice Thomas.
7	Oct 4 1993		Application (A93-252) granted by the Court.
8	Oct 12 1993		Brief of respondent Desktop Direct, Inc. in opposition filed.
9	Oct 13 1993		DISTRIBUTED. October 29, 1993 (Page 14)
10	Oct 18 1993	X	Reply brief of petitioner filed.
11	Nov 1 1993		Petition GRANTED.
			**********
15	Dec 15 1993		Brief amici curiae of Spectra-Physics, Inc., et al. filed.
12	Dec 16 1993		Joint appendix filed.
13	Dec 16 1993		Brief of petitioner Digital Equipment Corporation filed.
14	Dec 16 1993	G	Motion of petitioner for leave to file one volume of the joint appendix under seal filed.
16	Dec 29 1993		REDISTRIBUTED. January 7, 1994. (Page 41)
17	Dec 29 1993		SET FOR ARGUMENT TUESDAY, FEBRUARY 22, 1994.(1ST CASE).
18	Jan 10 1994		Motion of petitioner for leave to file one volume of the joint appendix under seal GRANTED.
19	Jan 18 1994		Brief of respondent Desktop Direct, Inc. filed.
20	Jan 21 1994		CIRCULATED.
21	Jan 26 1994		Record filed.
		*	Partial proceedings United States Court of Appeals for the Tenth Circuit.
22	Feb 9 1994	X	Reply brief of petitioner Digital Equipment Corporation filed.
23	Feb 17 1994		Record filed.
		*	Original proceedings United States District Court for the District of Utah.
24	Feb 22 1994		ARGUED.

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93-405

No. 93-

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,

v.

DESKTOP DIRECT, INC.,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Did the court below err in concluding, contrary to recent decisions of the Second, Fifth, and Eleventh Circuits with which the court below expressly disagreed, that a decision setting aside a settlement agreement is not immediately appealable, and that a defendant who bargained for dismissal of the suit and avoidance of trial as part of the settlement may instead appeal the decision setting aside the settlement only after trial?

PARTIES TO THE PROCEEDING AND RULE 29.1 STATEMENT

Petitioner Digital Equipment Corporation was defendant-appellant below; respondent Desktop Direct, Inc., was plaintiff-appellee.

Pursuant to S. Ct. Rule 29.1, petitioner notes that the following are non-wholly owned subsidiaries of Digital Equipment Corporation: EA Systems, Inc., Rocky Mountain Magnetics, Inc., Digital-Natcom, Elebra Computadores S.A., Digital Equipment (India) Ltd., and Digital Equipment Export (India) Ltd.

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Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

---

PETITION FOR A WRIT OF CERTIORARI

Petitioner Digital Equipment Corporation respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Tenth Circuit entered in the above captioned case on May 17, 1993.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Tenth Circuit is reported at 993 F.2d 755 and is reprinted in the appendix hereto ("App.") at 1a. The orders of the United States District Court for the District of Utah are unreported and are reprinted at App. 11a, 12a.

JURISDICTION

Respondent Desktop Direct, Inc. initiated this case by filing a complaint against petitioner Digital Equipment Corporation in the United States District Court for the

District of Utah on February 28, 1992. Jurisdiction was based on 28 U.S.C. §§ 1331 & 1338, and 15 U.S.C. § 1121. On March 25, 1992, respondent filed a notice of dismissal with the district court pursuant to Fed. R. Civ. P. 41(a)(i). On September 17, 1992, respondent filed a motion to withdraw its notice of dismissal and to rescind the settlement agreement. The district court granted that motion on January 5, 1993. App. 12a.

Petitioner filed a notice of appeal on February 4, 1993, basing jurisdiction on the collateral order doctrine, and sought a stay of the district court order on March 29, 1993. On May 17, 1993, the court of appeals dismissed the appeal and denied the stay. App. 10a. On June 16, 1993, the court of appeals denied petitioner's timely petition for rehearing and suggestion for rehearing in banc. *Id.* at 14a. The jurisdiction of this Court to review the judgment below is based on 28 U.S.C. § 1254(1).

PERTINENT STATUTORY PROVISION

Section 1291 of Title 28, United States Code, provides in pertinent part:

> The courts of appeals (other than the United States Court of Appeals for the Federal Circuit) shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court.

STATEMENT OF THE CASE

Respondent Desktop Direct, Inc. ("Desktop") filed suit against petitioner Digital Equipment Corporation ("Digital") on February 28, 1992, in United States District Court for the District of Utah. The complaint alleged a violation of the Lanham Trade-Mark Act, 15 U.S.C. § 1125(a), and related violations of Utah statutory and common law. Prior to service of the complaint and before any discovery, extensive settlement discussions between the parties led to a settlement agreement on March 25, 1992.

The agreement specified that "[c]ontemporaneous with the execution of this Settlement Agreement, Desktop shall execute [a] Notice of Dismissal * * *. Desktop shall file the executed Notice of Dismissal within three (3) business days of the execution of this Settlement Agreement." Settlement Agreement, ¶ 6. Without admitting fault or liability, Digital agreed to pay Desktop a significant sum to acquire the trademarks in question, and 15 times that amount "for dismissal of the * * * lawsuit and a waiver of all damages allegedly caused by Digital's use of [the pertinent trademarks]." *Id.* at ¶ 8. The payment to Desktop was to be held in escrow until Desktop "confirms that a Notice of Dismissal * * * has been filed with the United States District Court for the District of Utah and dismissal has been effected." *Id.* Desktop filed the notice of dismissal the same day the agreement was executed.

Nearly six months later, on September 17, 1992, Desktop filed a motion in the district court requesting that the court vacate the dismissal and rescind the Settlement Agreement on grounds of fraud. Desktop explained that it had retained new attorneys and now believed that it had been induced to settle through Digital's alleged fraudulent misrepresentations of fact. Desktop claimed that, during settlement negotiations, Digital had led Desktop to believe that Digital had acted innocently and without knowledge in adopting the allegedly infringing trademark. Desktop now asserted that such representations were untrue. Two weeks later, Desktop "correct[ed]" its motion. It acknowledged that "[t]o the extent that Plaintiff has asserted that [Digital] adopted the Desktop Direct name in a knowing manner, Plaintiff at this time has no direct proof." Supplemental Memorandum in Support of Motion of Plaintiff to Withdraw Notice of Dismissal, at 2. Desktop explained that any suggestions it had made that Digital knowingly adopted Desktop's trademark should be read to mean

instead that Digital knowingly infringed the trademark. *Id.*

On January 5, 1993, over Digital's opposition, the district court granted Desktop's motion to withdraw the dismissal and rescind the Settlement Agreement. The court "conclude[d] that a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." App. 13a. Digital filed a timely notice of appeal to the Court of Appeals for the Tenth Circuit on February 4, 1993.

On February 26, 1993, the court of appeals requested briefing on the question whether it had jurisdiction over Digital's appeal. Digital explained that the court had jurisdiction under the collateral order doctrine recognized in *Cohen* v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541 (1949), because the district court decision conclusively determined the disputed question, resolved an important issue completely separate from the merits of the action, and would be effectively unreviewable if Digital were required to wait until after the trial to appeal. *See Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 468 (1978). Digital noted that three circuits had held that appellate jurisdiction existed under the collateral order doctrine over an appeal from a district court order refusing to enforce an agreement to forego litigation. *See Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991); *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992).

On March 29, 1993, Digital sought a stay from the court of appeals of litigation proceedings in the district court.[1] On May 17, 1993, the Tenth Circuit denied the

[1] The district court had previously denied a stay on March 15, 1993. App. 11a.

stay and dismissed Digital's appeal, concluding that it lacked appellate jurisdiction. App. 1a.

The court of appeals began its analysis by acknowledging that the Second, Fifth, and Eleventh Circuits had held that district court orders of the sort at issue here were appealable under the collateral order doctrine. App. 3a. As the Tenth Circuit stated, however, "[w]ith due respect to our sister circuits, we disagree." *Id.* at 3a.

The court of appeals noted that "[t]o fall within the *Cohen* exception, an order must satisfy at least three conditions: It must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment." App. at 3a (quoting *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 498 (1989)). The court of appeals agreed with Digital that the first requirement was met because the district court had rescinded the Settlement Agreement and withdrawn the notice of dismissal, conclusively determining that the revived case would go forward. App. at 4a. The court further agreed that the complaint of misrepresentation during settlement was separate from the merits of Desktop's trademark claim, relying on this Court's decision in *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985) (question of defendant's qualified immunity "conceptually distinct" from merits and appealable under collateral order doctrine). When it came to the importance of the issue, however, the Tenth Circuit found the issue not important enough to permit appeal, stating that "we part company with our sister circuits, and agree with the position of Judge Cox, dissenting in *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992)." App. 5a.

The court of appeals explained that while "encouragement of out-of-court settlements is desirable," it construed this Court's precedents as taking a narrower view than the other circuits on "which interests are 'important'

enough to fall within the narrow confines of the *Cohen* doctrine." App. 6a. The Tenth Circuit recognized that this Court had applied the *Cohen* doctrine to allow an interlocutory appeal of a non-final order denying an assertion of immunity from trial by a public-official defendant, *see Mitchell* v. *Forsyth, supra,* but did not regard the right not to go to trial at issue in that case as analogous to Digital's right not to go to trial in this case. App. 8a. The court of appeals acknowledged that the "three circuit court decisions that have permitted interlocutory appeals of decisions setting aside settlement agreements have equated the immunity from suit implied by settlement to the immunity from suit that was the subject of *Forsyth*," *id.* at 8a-9a, but criticized those circuits as adopting "too expansive a reading of the 'right not to go to trial' in the context of the *Cohen* doctrine." *Id.* at 9a.

Digital filed a timely petition for rehearing and suggestion for rehearing in banc, specifically noting that the decision below conflicted with decisions from the Second, Fifth, and Eleventh Circuits. The petition and suggestion were denied on June 16, 1993. App. 14a.

REASONS FOR GRANTING THE WRIT

I. THE DECISION BELOW CONFLICTS WITH RECENT DECISIONS OF THE SECOND, FIFTH, AND ELEVENTH CIRCUITS

This Court should grant certiorari to resolve the conflict between the decision below and recent decisions from the Second, Fifth, and Eleventh Circuits. *See* S. Ct. Rule 10.1(a). The Tenth Circuit held that a district court order refusing to enforce a settlement agreement barring litigation was not immediately appealable under the *Cohen* exception to the finality requirement. The Second, Fifth, and Eleventh Circuits have held that such orders are immediately appealable under *Cohen*. *Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied,* 498 U.S. 865 (1990); *Grillet* v. *Sears, Roebuck & Co.*, 927

F.2d 217 (5th Cir. 1991); *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied,* 113 S. Ct. 412 (1992).

This is not a case in which the existence of a circuit conflict needs to be inferred from an analysis of allegedly conflicting cases. Here the court of appeals itself expressly acknowledged the contrary holdings of the other circuits, and nonetheless adopted its position in the face of those holdings. After noting the holdings in *Janneh, Grillet,* and *Forbus,* the court below stated that "[w]ith due respect to our sister circuits, we disagree." App. 3a. Later in its opinion the Tenth Circuit again expressly acknowledged that "we part company with our sister circuits," and instead "agree with the position of Judge Cox," who dissented from the Eleventh Circuit's holding in *Forbus.* App. 5a. In that dissent, Judge Cox expressly recognized that *Janneh* and *Grillet* supported the decision of the *Forbus* majority. *See Forbus,* 958 F.2d at 1043 (Cox, J., dissenting) ("The majority's conclusion is supported by two decisions from other circuits"). Finally, the Tenth Circuit below expressly recognized that *Janneh, Grillet,* and *Forbus* "have permitted interlocutory appeals of decisions setting aside settlement agreements," and criticized the rationale underlying those cases. App. 8a-9a.

Thus, the court below did not attempt to distinguish the conflicting decisions from the three other circuits. It instead candidly acknowledged that it "disagree[d]" with those decisions and was "part[ing] company with" those circuits. This Court should grant certiorari to resolve the resulting conflict.[2]

As the court below recognized, the decisions in *Janneh, Grillet,* and *Forbus* are directly on point. In *Janneh,* an

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[2] The Sixth Circuit has issued an unpublished decision on the question presented consistent with the decision of the court below and in conflict with the Second, Fifth, and Eleventh Circuits. *Helmac Products Corp.* v. *Roth Plastics Corp.*, No. 90-1890 (6th Cir. Dec. 14, 1990).

employee brought a discrimination suit against his employer, and later settled the case for a set sum. Thereafter the employee obtained new counsel, and renounced the settlement agreement on the ground that it was "coerced." The district court declined to enforce the settlement agreement, and the employer appealed. The Second Circuit held that it had jurisdiction over the appeal under the collateral order doctrine.

Writing for the court, Judge Kaufman concluded that the district court order refusing to enforce the settlement agreement resolved an important issue separate from the merits. Contrary to the Tenth Circuit below, the Second Circuit regarded the issue as "important" because it "involves the 'deprivation of significant rights,' namely, [the employer's] bargained-for right to avoid trial by enforcing the settlement agreement." 887 F.2d at 435 (citation and footnote omitted). As Judge Kaufman explained:

> That right implicates our nation's strong judicial and public policies favoring out-of-court settlement. Litigants, courts, and Congress view settlement as a positive force, indispensable to judicial administration. Foregoing formal courtroom procedures, including discovery, trial, briefs and arguments, brings substantial benefits to the parties. The costs of litigation are reduced and crowded dockets are relieved. [*Id.*]

The Second Circuit went on to rule that the employer's asserted right was effectively unreviewable on appeal from a final district court judgment, because " 'the essence' of the claimed right is a right not to go to trial at all." 887 F.2d at 435 (quoting *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 524 (1988)).

> One crucial benefit of a settlement agreement is, as we have indicated, the avoidance of trial. [The employer] bargained for and obtained the right to avoid a trial by agreeing to a settlement. The essence of that right could not be vindicated effectively after the trial has occurred. Reversing the order after an appeal from a final judgment would be as effective as slamming the barn door after the horse has already bolted. [*Janneh*, 887 F.2d at 436.]

In contrast, the Tenth Circuit below—also citing *Van Cauwenberghe*—ruled that this was "too expansive a reading of the 'right not to go to trial' in the context of the *Cohen* doctrine." App. 9a.

The Second Circuit in *Janneh* was careful to distinguish this Court's decision in *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495 (1989), a case in which the Court held that an order denying a motion to dismiss on the basis of a forum-selection clause was not appealable under *Cohen*. The *Janneh* court noted that its case was "distinguishable since 'an entitlement to avoid suit is different in kind from an entitlement to be sued only in a particular forum.' " 887 F.2d at 436 (quoting *Lauro Lines S.R.L.*, 490 U.S. at 501). The Tenth Circuit below, in contrast, failed to recognize this express distinction noted in the *Lauro Lines* opinion itself, and relied on *Lauro Lines* to support its decision. App. 10a.

Finally, while the court below remanded the case for discovery and a trial that may be wholly unnecessary, the Second Circuit in *Janneh* recognized that through its decision it "gain[ed] an opportunity to review an order whose main effect is to keep alive litigation that arguably has been settled—thereby increasing the burden on the system as a whole." 887 F.2d at 433. Indeed, the *Janneh* court—reaching the merits—reversed the district court order and enforced the Settlement Agreement, thereby bringing an end to the litigation. *Id.* at 436-437.

The Fifth Circuit followed the reasoning of the *Janneh* court in *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991). *Grillet* involved a terminated employee who signed an agreement waiving claims against her employer in exchange for a higher severance payment. The employee later sued anyway, and the district court refused to enforce the agreement barring litigation. The

employer appealed, and the Fifth Circuit held that it had appellate jurisdiction over the non-final order under *Cohen*.

Writing for the Fifth Circuit, Judge Duhé concluded that the requirement that the order resolve an important issue separate from the merits was satisfied. 927 F.2d at 219. He further explained—contrary to the Tenth Circuit's analysis below—that the order was effectively unreviewable on appeal from a final judgment, because "[t]he essence of the claimed right is the right not to go to trial at all." *Id.* at 220. Quoting from the Second Circuit's decision in *Janneh*, the Fifth Circuit ruled that the right the employer bargained for to avoid litigation was a right "the legal and practical value of which would be destroyed if it were not vindicated before trial." *Id.* (quoting *Janneh*, 887 F.2d at 435) (citations omitted). Reaching the merits, the *Grillet* court enforced the agreement, bringing an end to the litigation. 927 F.2d at 220-221.

In *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036, 1039 (11th Cir. 1992), the Eleventh Circuit stated that "[w]e agree with the Fifth and Second Circuits that the collateral order doctrine should be applied to review an interlocutory order which denies enforcement of an agreement to forego litigation." *Forbus* involved terminated employees who received an enhanced severance package upon signing an agreement precluding litigation against the former employer. The employees later filed suit, which the district court refused to dismiss. The employer appealed, and the Eleventh Circuit held that it had jurisdiction pursuant to the *Cohen* exception to the finality requirement.

Judge Dubina, writing for the majority, expressly followed the reasoning of *Janneh* and *Grillet*. 958 F.2d at 1039. He noted that while the Supreme Court had not addressed the precise question presented, it had applied the *Cohen* doctrine to orders denying public official immunity, 958 F.2d at 1039 (citing *Nixon* v. *Fitzgerald*,

457 U.S. 731 (1982) and *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985)), and to orders denying motions to compel arbitration, 958 F.2d at 1039 (citing *Moses H. Cone Memorial Hosp.* v. *Mercury Constr. Corp.*, 460 U.S. 1 (1983)). The Eleventh Circuit concluded that "we are persuaded that the collateral order doctrine vests this court with jurisdiction to review the merits of [the employer's] appeal," reasoning that "[t]he essence of [the employer's] claim * * * is that it contracted for the right to avoid being sued by the [employees]." 958 F.2d at 1040.

Judge Cox dissented. He recognized that the Second Circuit's decision in *Janneh* and the Fifth Circuit's decision in *Grillet* were "on point" and supported the majority's conclusion, *id.* at 1043, but argued that the "asserted right not to be sued based upon private agreements * * * is not sufficiently important to justify an interlocutory appeal." *Id.* at 1044. As noted, the Tenth Circuit below expressly agreed with this dissenting opinion. App. 5a.

Most recently, the Second Circuit reaffirmed its understanding that cases like the present one satisfy the requirements of the collateral order doctrine. In *Chaput* v. *Unisys Corp.*, 964 F.2d 1299 (2d Cir. 1992), the court reviewed the facts and holdings of *Janneh* and *Grillet*, explaining that "[u]nder *Janneh* and *Grillet*, we may have jurisdiction on the ground that a release from liability protects the released party from the distractions and expenses of a trial as well as from further monetary liability." *Id.* at 1301. Accepting the analogy that the Tenth Circuit below expressly rejected, the Second Circuit noted that "[t]his theory is analogous to that applied to claims of double jeopardy or qualified immunity. In those cases, the claim asserted is not only a defense to liability but also an immunity from trial." *Id.* (citation omitted).[3]

[3] The court in *Chaput* concluded that the specific order before it was not appealable under *Cohen* because remaining factual disputes meant that the order had not finally resolved the collateral issue in

As the foregoing makes clear, there is a sharp and irreconcilable conflict among the circuits on the question presented. This acknowledged conflict is well-developed. The issue has been fully aired in the published opinions of the Second, Fifth, and Eleventh Circuits, on the one hand, and the published opinion of the Tenth Circuit in this case and the dissenting opinion of Judge Cox in *Forbus*, on the other. These cases were all decided within the past four years; this is not a situation in which an asserted conflict is based on an obsolete precedent of questionable validity.

Nor is this a situation in which the conflict among the circuits is explainable on the ground that the courts looked to different precedents, where the hope remains that the conflict will be resolved as the circuits consider precedents previously overlooked. Here the courts of appeals looked to and relied on the same body of law in reaching directly opposite holdings.

Indeed, the disparity in interpretation of this Court's cases by the conflicting circuits is striking. The Tenth Circuit below and Judge Cox in dissent relied on *Lauro Lines*; the Second Circuit in *Janneh* distinguished it. *Compare* App. 10a and 958 F.2d at 1043-44 *with* 887 F.2d at 436. The Eleventh Circuit in *Forbus* and Second Circuit in *Chaput* reasoned by analogy to *Mitchell*; the court below distinguished it. *Compare* 958 F.2d at 1039 and 964 F.2d at 1301 *with* App. 8a. The court below and Judge Cox in dissent cited *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794 (1989), in support of their conclusion; the Second Circuit in *Janneh* and Fifth Circuit in *Grillet* cited it in support of the opposite view. *Compare* App. 9a and 958 F.2d at 1043 *with* 887 F.2d at 435 and 927 F.2d at 220.

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dispute. 964 F.2d at 1301, 1304. Here the Tenth Circuit ruled that the district court's decision was "the final word on the subject addressed," because the district court granted Desktop's motion to rescind the settlement agreement and reinstated the suit. App. 4a (quotation omitted).

The conflict concerns an important and recurring issue of federal law. As explained more fully below, upholding the finality and binding effect of agreements not to litigate is critical to the effective administration of justice in the federal system. *See infra* at 20-25. In addition, the use of this Court's certiorari resources to resolve questions of jurisdiction is particularly appropriate, given the need for uniformity in the federal judicial system on such threshold questions as the authority of a court to hear an appeal. Indeed, this Court has consistently regarded circuit conflicts on application of the collateral order doctrine as warranting review.[4] As noted, the conflict here was expressly acknowledged, and is direct and irreconcilable. It is in no sense fact-bound. This Court should grant the writ to resolve it.

II. THE DECISION BELOW WAS WRONGLY DECIDED AND CONFLICTS WITH THIS COURT'S PRECEDENTS

The court below misapplied this Court's precedents in putting itself in conflict with the Second, Fifth, and Eleventh Circuits. The court of appeals based its departure from the other circuits on an "intertwined" analysis of the "importance" of the issue and the requirement under the

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[4] *See, e.g., Puerto Rico Aqueduct & Sewer Auth.* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684, 686 (1993) ("In light of the conflict between the decision below and those of the other Courts of Appeals that have considered the issue, we granted certiorari"); *Lauro Lines*, 490 U.S. at 497 ("We granted certiorari to resolve a disagreement among the Courts of Appeals"); *Midland Asphalt*, 489 U.S. at 797 ("We granted certiorari to resolve a disagreement among the Courts of Appeals"); *Mitchell* v. *Forsyth*, 472 U.S. at 519 ("the issue of the appealability before final judgment of orders denying immunity * * * is one that has divided the Courts of Appeals"); *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 373 (1981) ("We granted certiorari * * * to resolve a conflict among the Circuits on the appealability question"); *Coopers & Lybrand*, 437 U.S. at 465 (certiorari granted "[b]ecause there is a conflict in the Circuits over this issue").

collateral order doctrine that the order be effectively unreviewable on appeal from a final order. App. 5a. The court erred seriously in both aspects of its reasoning. A right to avoid litigation is not reviewable after the trial has taken place; that is "slamming the barn door after the horse has already bolted." *Janneh*, 887 F.2d at 436. And few public policies are more important to the administration of justice than the policy in favor of encouraging parties to enter into binding and final settlements.

The third requirement of the *Cohen* exception is that the district court order "be effectively unreviewable on appeal from a final judgment." *Lauro Lines*, 490 U.S. at 498; *Coopers & Lybrand* v. *Livesay*, 437 U.S. at 468. For example, a district court order rejecting a claim that the Double Jeopardy Clause precludes trial is immediately appealable even though it is interlocutory, because the double jeopardy claim is a claim to be free from a second trial, not simply a claim that the defendant cannot be convicted. Requiring that the defendant await a final judgment to raise the double jeopardy claim would protect the defendant against a second conviction, but would not vindicate his interest in avoiding "the personal strain, public embarrassment, and expense of a criminal trial more than once for the same offense." *Abney* v. *United States*, 431 U.S. 651, 661 (1977).

By the same token, a district court order rejecting a claim of qualified immunity from suit is also immediately appealable under *Cohen*. Requiring a public official to await a final judgment to appeal such an order would protect the official's interest in not being found liable for good faith acts within the scope of his official responsibility, but not his interest in avoiding the burdens of trial itself. That interest is "effectively lost if a case is erroneously permitted to go to trial," and accordingly the district court order is "effectively unreviewable on appeal from a final judgment." *Mitchell* v. *Forsyth*, 472 U.S. at 525-527. *See also Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982). An interlocutory appeal is therefore allowed.

Most recently, the Court held in *Puerto Rico Aqueduct & Sewer Auth.* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993), that a district court order denying an agency's motion to dismiss a lawsuit on Eleventh Amendment grounds was immediately appealable under the collateral order doctrine. The Court analogized such a case to the public official's immunity in *Mitchell*, noting that the claimed right was effectively unreviewable on appeal from a final judgment, because "the value to the States of their Eleventh Amendment immunity * * * is for the most part lost as litigation proceeds past motion practice." *Id.* at 688.

The court below erred in not applying these precedents to the present case. Although the court of appeals could rule in Digital's favor on the settlement issue after trial—just as an appellate court could rule in favor of a defendant on a double jeopardy claim or a public official or state on an immunity claim after trial—such a ruling would not vindicate Digital's right under the agreement to avoid trial. As this Court has explained, the issue is "whether an essential aspect of the claim is the right to be free of the burdens of a trial." *Van Cauwenberghe* v. *Biard*, 486 U.S. at 525. The other circuits have recognized that the essence of the claim of a party seeking to enforce a settlement agreement is the right to avoid trial. *See Janneh*, 887 F.2d at 436 ("One crucial benefit of a settlement agreement is * * * the avoidance of trial. * * * The essence of that right could not be vindicated effectively after the trial has occurred"); *Grillet*, 927 F.2d at 220 ("The essence of the claimed right is the right not to go to trial at all"); *Chaput*, 964 F.2d at 1301 (parties entering into agreements to bar litigation are "bargaining to avoid the distractions and costs of trial as well as further liability from damages"). For this reason, the other circuits relied upon the analogy to the double jeopardy and immunity cases in ruling that an order refusing to enforce an agreement not to litigate is immediately appealable under *Cohen*. *See Janneh*, 887

F.2d at 435; *Forbus*, 958 F.2d at 1039; *Chaput*, 964 F.2d at 1301.

Here there can be no doubt that Digital entered into the Settlement Agreement to avoid the costs and burdens of preparing for and going to trial. The agreement, of course, specifically obligated Desktop to execute and file a notice of dismissal. Settlement Agreement, ¶ 6. The agreement provided that some 94 percent of the settlement amount was paid to Desktop *"for dismissal of the * * * lawsuit* and a waiver of all damages * * *." Settlement Agreement, ¶ 8 (emphasis added). Desktop itself recognizes that "[i]n the settlement agreement * * *, one of the principal items of consideration was the agreement by Plaintiff to file a Notice of Dismissal." Memorandum in Support of Motion of Plaintiff to Withdraw Notice of Dismissal, at 19. The agreement was entered into prior to service of the complaint and before any costly and time-consuming discovery, precisely because the agreement was intended to avoid the burdens of trial and preparation for trial.

The Supreme Court cases relied upon by the Tenth Circuit—the same cases relied upon by the other circuits for the opposite conclusion—do not support the Tenth Circuit's analysis.

In *Midland Asphalt*, the Court determined that a district court order denying a motion to dismiss an indictment because of a violation of Fed. R. Crim. P. 6(e)(2)—which prohibits disclosure by government attorneys of grand jury matters—was not appealable under *Cohen*. The Court explained that nothing in Rule 6(e) suggests that it conferred a right to avoid trial. 489 U.S. at 802. Here, in contrast, the "essence" of Digital's claimed right under the Settlement Agreement was the right to avoid trial. The *Midland* Court found nothing in "[t]he text" of Rule 6(e) to indicate that it conferred a right to avoid trial, but here the text of the Settlement Agreement plainly states that avoidance of trial is precisely what Digital bargained and paid for.

United States v. *MacDonald*, 435 U.S. 850 (1978), held that denial of a motion to dismiss on speedy trial grounds was not appealable under *Cohen*. The Court reasoned that it was "the delay before trial, not the trial itself, that offends against the constitutional guarantee of a speedy trial," and that therefore the speedy trial right was not a right to avoid trial. "Proceeding with the trial does not cause or compound the deprivation already suffered." *Id.* at 861. Again, the opposite is true here. Digital's bargained-for right is the right not to be required to go to trial on Desktop's complaint—a right that will be lost if Digital must go to trial before it can appeal.

In relying on *Midland Asphalt* and *MacDonald*, the court below failed to appreciate a key distinction noted several times by this Court. *Midland Asphalt* and *MacDonald* were criminal cases, and this Court has been particularly reluctant to apply the collateral order doctrine in the criminal context. As the Court explained in *MacDonald*, "[t]he rule of finality has particular force in criminal prosecutions because 'encouragement of delay is fatal to the vindication of the criminal law.'" 435 U.S. at 853-854 (quoting *Cobbledick* v. *United States*, 309 U.S. 323, 325 (1940)). *See also Midland Asphalt*, 489 U.S. at 799 ("We have interpreted the collateral order exception 'with the utmost strictness' in criminal cases") (quoting *Flanagan* v. *United States*, 465 U.S. 259, 265 (1984)). The Tenth Circuit below noted that *Midland Asphalt* and *MacDonald* were criminal cases, but then stated that they demonstrated "the strict reading of the 'right not to go to trial' *in cases like this one*," App. 9a (emphasis added), without any mention of the significance of the criminal/civil distinction noted in both the *Midland Asphalt* and *MacDonald* opinions themselves. More significantly, the court below failed to recognize that the Court's holdings in *Midland Asphalt* and *MacDonald* were that those cases did not involve the "right not to go to trial" at all, while this case indisputably does.

The Tenth Circuit also erred in relying on this Court's decision in *Van Cauwenberghe* v. *Biard, supra.* In that case this Court held that the collateral order doctrine did not extend to a district court order denying a motion to dismiss on the ground of specialty under an extradition treaty. The Supreme Court explained that the principle of specialty was basically a matter of treaty obligation between two sovereigns, rather than conferral of a right on the individual to be free from civil trial. 486 U.S. at 525. Significantly, the Court noted that its decision was based on "the absence of an explicit agreement obligating the United States to protect the extradited person from the burdens of a civil suit." *Id.* & n.4. Here, of course, there *was* an explicit agreement between the contracting parties to protect Digital "from the burdens of a civil suit." That was the essence of the Settlement Agreement.[5]

Perhaps the most surprising error of the court below was its reliance on this Court's decision in *Lauro Lines.* There the Court held that a district court order refusing to dismiss a suit on the ground that it violated a forum selection provision was not immediately appealable under the collateral order doctrine. 490 U.S. at 501. The Tenth Circuit below stated that "[w]e do not see how a private settlement contract is significantly different from the contracted forum selection clause the Supreme Court refused to enforce through interlocutory appeal in *Lauro Lines.*" App. 10a. The Supreme Court itself, however, recognized the key distinction in its opinion, explaining that "an entitlement to avoid suit is different in kind from an entitlement to be sued only in a particular forum." 490 U.S. at

[5] The Court in *Van Cauwenberghe* also held that denial of a motion to dismiss on *forum non conveniens* grounds was not appealable under the collateral order doctrine. 486 U.S. at 527-530. The Court reasoned that the *forum non conveniens* issue was not "completely separate from the merits of the action." *See id.* at 527 (quoting *Coopers & Lybrand*, 437 U.S. at 468). The Tenth Circuit found that requirement satisfied in the present case. App. 4a-5a.

501. Here Digital's entitlement under the Settlement Agreement is "to avoid suit"—an entitlement "different in kind" from that considered in *Lauro Lines. See Janneh,* 887 F.2d at 436 (distinguishing *Lauro Lines* on that basis).[6]

The court below noted this Court's admonition "not to play word games with the concept of a right not to be tried." App. 9a (quoting *Midland Asphalt,* 489 U.S. at 801). The concern is that any right not to be convicted or found liable could be characterized as a "right not to be tried," extending the collateral order exception beyond reasonable bounds. Thus, for example, a defendant with a valid defense to a tort claim could contend that he has a right not to be tried on that claim—because he is innocent of the charge—and that he should therefore be able to appeal an interlocutory order rejecting the defense. That is plainly not the case here. Digital's right under the express terms of the Settlement Agreement is not simply a defense to liability, but a right not to be tried. *See* Settlement Agreement, ¶¶ 6, 8. Conferring upon Digital

[6] The court below quoted *Midland Asphalt* for the proposition that the right not to be tried under *Cohen* "rests upon *an explicit statutory or constitutional guarantee* that trial will not occur." App. 9a (quoting 489 U.S. at 801 (emphasis added by court below)). As the Tenth Circuit itself noted, however, this Court has not so limited application of the collateral order doctrine. App. 6a, 8a (citing *Mitchell* v. *Forsyth, supra*). *See also Nixon* v. *Fitzgerald,* 457 U.S. 731 (1982). And this Court has never held *Cohen* inapplicable because the asserted right was based on enforceable law other than the Constitution or a statute. *See, e.g., Lauro Lines,* 490 U.S. at 498-501 (citing *Midland Asphalt* but considering appealability of order refusing to enforce contractual forum selection clause under normal criteria for applying collateral order doctrine). The question under this Court's precedents turns on whether the essence of the right asserted is the right to avoid trial, *see Van Cauwenberghe,* 486 U.S. at 524, and the importance of the right. It was on those key questions that the Tenth Circuit consciously departed from the decisions of the Second, Fifth, and Eleventh Circuits—all decided after *Midland Asphalt.*

the right to avoid litigation altogether was the consideration provided by Desktop under the agreement. That right will be irretrievably lost if Digital must wait until after trial to appeal.[7]

III. THE CONFLICT AMONG THE CIRCUITS CONCERNS A QUESTION OF OVERRIDING IMPORTANCE AS TO WHICH UNIFORMITY IS REQUIRED

The Tenth Circuit's analysis below hinged on a policy judgment that the public policies favoring out-of-court settlement were not sufficiently "important" to justify interlocutory appeal to vindicate those policies. App. 5a. The court of appeals recognized that its policy judgment in this regard differed from that of its sister circuits. *Id.* at 5a. *See e.g., Janneh*, 887 F.2d at 435 ("bargained-for right to avoid trial by enforcing [a] settlement agreement * * * implicates our nation's strong judicial and public policies favoring out-of-court settlement").

Contrary to the Tenth Circuit's conclusion, there can be little doubt that "[f]ew public policies are as well established as the principle that courts should favor voluntary settlements of litigation by the parties to a dispute." *American Sec. Vanlines, Inc.* v. *Gallagher*, 782 F.2d 1056, 1060 (D.C. Cir. 1986) (quoting district court decision). *Williams* v. *First Nat'l Bank*, 216 U.S. 582, 595 (1910) ("[c]ompromises of disputed claims are favored

[7] The Tenth Circuit's reliance on *Baltimore Contractors, Inc.* v. *Bodinger*, 348 U.S. 176 (1955), *overruled, Gulfstream Aerospace Corp.* v. *Mayacamas Corp.*, 485 U.S. 271, 280-283 (1988), is misplaced. *See* App. 10a. In applying the collateral order doctrine, the Court is not expanding jurisdiction in the absence of congressional authority. It is instead construing the jurisdiction conferred by Congress in 28 U.S.C. § 1291, as the Court recognized in *Cohen*, 337 U.S. at 546 ("The Court has long given this provision of the statute this practical rather than a technical construction"), and has reiterated ever since. *See, e.g., Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 375 (1981).

by the courts"); *Hemstreet* v. *Spiegel, Inc.*, 851 F.2d 348, 350 (Fed. Cir. 1988) ("The law strongly favors settlement of litigation, and there is a compelling public interest and policy in upholding and enforcing settlement agreements voluntarily entered into").[8] As the *Janneh* court explained, "[l]itigants, courts, and Congress view settlement as a positive force, indispensable to judicial administration. Foregoing formal courtroom procedures, including discovery, trial, briefs and arguments, brings substantial benefits to the parties. The costs of litigation are reduced and crowded dockets are relieved." 887 F.2d at 435.[9]

[8] The courts of appeals have repeated this assessment on numerous occasions. *See, e.g., Justine Realty Co.* v. *American Nat'l. Can Co.*, 976 F.2d 385, 391 (8th Cir. 1992) ("Settlement agreements are generally encouraged and favored by the courts"); *In re Smith*, 926 F.2d 1027, 1029 (11th Cir. 1991) ("Settlement is generally favored because it conserves judicial resources"); *Bass* v. *Phoenix Seadrill/78, Ltd.*, 749 F.2d 1154, 1164 (5th Cir. 1985) ("public policy favors voluntary settlements which obviate the need for expensive and time-consuming litigation").

[9] This case is a good example of the importance of permitting appeal under the collateral order doctrine of district court orders failing to enforce agreements not to litigate. The district court plainly applied the wrong legal standards in granting Desktop's motion to withdraw its notice of dismissal and rescind the Settlement Agreement. The district court granted the motion and reinstated the litigation because "a fact finder *could* determine that [Digital] failed to disclose material facts to plaintiff during settlement negotiations * * *." App. 13a (emphasis added). There is, however, no duty to disclose to an adversary during settlement negotiations. *See, e.g., Southwest E&T Suppliers, Inc.* v. *American Enka Corp.*, 463 F.2d 1165, 1166 (5th Cir. 1972); *Holman* v. *Gulf Refining Co.*, 76 F.2d 94, 98 (5th Cir.), *cert. denied*, 296 U.S. 590 (1935); *In re Appraisal of Enstar Corp.*, 593 A.2d 543, 549 (Del. Ch. 1991), *rev'd on other grounds*, 604 A.2d 404 (Del. 1992).

Even if there were, the Settlement Agreement should not have been set aside and the litigation reinstated on the basis of fraud simply because a fact finder "could" have found a failure to disclose. Given the importance of binding and final settlement agreements to the administration of justice, such agreements are not

The importance of settlement to the judicial process has increased as dockets have become more crowded. Between 1958 and 1988, the number of cases filed in the federal district courts tripled. *See Report of the Federal Court Study Committee* 5 (1990). During roughly the same period, from 1940 to 1985, the percentage of cases reaching trial in the federal courts dropped from about 15 percent to about 5 percent. *See* Galanter, *The Day After the Litigation Explosion*, 46 Md. L. Rev. 3, 8 (1986). Settlement plainly accounts for a great number of the cases terminated prior to trial in the federal courts. The strong public policy in favor of settlements is grounded in the reality that even a modest increase in the number of cases going to trial would strain already over-burdened judicial resources and further frustrate dispute resolution.

The public policy in favor of settlements is reflected in rules designed to encourage settlement agreements. Federal Rule of Civil Procedure 68, concerning offers of judgment, is expressly designed "to encourage settlement and avoid protracted litigation." Advisory Committee Note to 1946 Amendment to Rule 68. *See Marek* v. *Chesny*, 473 U.S. 1, 5 (1985) ("The plain purpose of Rule 68 is to encourage settlement and avoid litigation"). The strong public policy in favor of settlements underlies Federal Rule of Evidence 408, regarding admissibility of

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set aside on the basis of such speculation. *See infra*, at 23. In addition, a party seeking to set aside such an agreement on the basis of fraud must establish fraud through clear and convincing evidence, not simply meet the standard necessary to present the issue to a fact finder. *See Crookston* v. *Fire Ins. Exchange*, 817 P.2d 789, 800 (Utah 1991); Fed. R. Civ. P. 60(b)(3). Unless orders refusing to enforce agreements to forego litigation are appealable under the collateral order doctrine, parties in Digital's situation will be compelled to endure the very burdens and expense of litigation they bargained to avoid, before being afforded the opportunity to secure appellate review of such plainly erroneous rulings of law.

offers to settle litigation. *See* S. Rep. No. 1277, 93d Cong., 2d Sess. (1974) ("The purpose of this rule is to encourage settlements which would be discouraged if such evidence were admissible"). In passing the Civil Justice Reform Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089 (1990) (codified at 28 U.S.C. §§ 471-482), Congress encouraged federal district courts to examine the advisability of mechanisms to facilitate settlement. It required each court, in formulating a "civil justice expense and delay reduction plan," to consider increased use of settlement conferences and alternative dispute resolution procedures. *See, e.g.*, 28 U.S.C. § 473(a)(3)(A), (b)(2) & (b)(4).

Society's interest in encouraging settlement agreements would of course be completely undermined if such agreements could be readily upset. For this reason, courts have routinely refused to reopen cases that have settled except in extraordinary circumstances. Settlement agreements are contractual arrangements to avoid litigation. As such, "a litigant can no more repudiate a compromise agreement than he could disown any other binding contractual relationship." *Dacanay* v. *Mendoza*, 573 F.2d 1075, 1078 (9th Cir. 1978). *Accord Bostick Foundry Co.* v. *Lindberg*, 797 F.2d 280, 283 (6th Cir. 1986) ("Once concluded, a settlement agreement is as binding, conclusive and final as if it had been incorporated into a judgment and the actual merits of the antecedent claims will not thereafter be examined"), *cert. denied*, 479 U.S. 1066 (1987); *Kaktovik* v. *Watt*, 689 F.2d 222, 230 (D.C. Cir. 1982) ("A settlement contract may not be unilaterally rescinded"). In short, public policy favors *binding* and *final* settlement agreements.

The consequences of the decision below are not simply that appellate courts will lose the "opportunity to review an order whose main effect is to keep alive litigation that arguably has been settled—thereby increasing the burden on the system as a whole." *Janneh*, 887 F.2d at 433.

The Tenth Circuit's rule will also encourage plaintiffs to seek to reopen settlement agreements more frequently, for they will sometimes regain the benefit of a litigation threat through erroneous district court decisions to set aside settlement agreements, decisions that will not be subject to review until the threat has served its purpose. For example, a plaintiff in a patent infringement case may settle based on a particular view concerning how valuable the patent is. If after settlement it turns out that the patent as exploited by the defendant was far more valuable than the plaintiff envisioned, the plaintiff will want to rescind the settlement, regain his leverage of threatened litigation, and begin negotiations anew. If the defendant cannot obtain review of a district court order authorizing such action without enduring the very trial he bargained to avoid, the value of the settlement is significantly diminished. This is particularly true when—as here—the plaintiff is allowed to keep the large sum paid in settlement in the meantime.

Congress recently confirmed its understanding of public policy in this area in its 1988 amendments to the Arbitration Act. Pub. L. No. 100-702, Title X, § 1019(a), 102 Stat. 4670 (1988), renumbered Pub. L. No. 101-650, Title III, § 325(a)(1) (1990). Congress specified that an immediate appeal may be taken from an order refusing to compel arbitration or refusing to stay litigation referable to arbitration, 9 U.S.C. § 16(a), while an immediate appeal may not be taken from an order permitting arbitration to proceed over litigation. 9 U.S.C. § 16(b). These provisions recognize that parties agree to arbitrate to avoid the costs and burdens of litigation, and that requiring a party to await the completion of trial before appealing an order refusing to direct arbitration would deprive the party of the essence of his right under the arbitration provision. The same logic and public policy considerations should inform the courts' application of the collateral order doctrine to the facts here, as the Second

Circuit indicated in *Janneh*. *See* 887 F.2d at 436 n.5 (citing Arbitration Act).

There are, of course, important interests counseling in favor of limiting appellate review to final judgments. We in no way take issue with or seek to minimize those interests. What is important to recognize, however, is that those interests *support* allowing review under the collateral order doctrine in this case. The interest generally invoked in support of restricting review to final judgments is the interest in conserving judicial resources by avoiding piecemeal review. Whatever may be the case with respect to other asserted rights, when the right sought to be vindicated on appeal is the right to avoid litigation altogether because of a settlement agreement, the interest in conserving judicial resources strongly supports allowing review before trial to enforce the settlement.

* * * *

As the court below candidly recognized, its decision conflicts with recent decisions of the Second, Fifth, and Eleventh Circuits. That irreconcilable circuit conflict concerns a question of federal jurisdiction, making it particularly appropriate for review by this Court. In putting itself in conflict with the other circuits, the Tenth Circuit misapplied this Court's precedents recognizing that a right to avoid trial is effectively unreviewable after trial. Given the importance of binding and final settlement agreements to the administration of justice in the federal judicial system, and the need for uniformity among the circuits, this Court should grant the writ to resolve the conflict.

CONCLUSION

For the foregoing reasons, this Court should grant the writ and reverse the decision below.

Respectfully submitted,

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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

No. 93-4024

DESKTOP DIRECT, INC.,
a Utah corporation,
Plaintiff-Appellee,
v.

DIGITAL EQUIPMENT CORPORATION,
a Massachusetts corporation,
Defendant-Appellant.

On Motion for Stay of an Order of the
United States District Court
for the District of Utah

(D.C. No. 92-CV-178G)

[Filed May 17, 1993]

Submitted on the briefs:

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H. Ross Workman and Larry R. Laycock of Workman, Nydegger & Jensen, Salt Lake City, Utah; and John Paul Kennedy, Salt Lake City, Utah, for Plaintiff-Appellee.

Before LOGAN, ANDERSON and TACHA, Circuit Judges.

LOGAN, Circuit Judge.

This matter is before us on defendant Digital Equipment Corporation's motion for a stay of the district court's order entered January 5, 1993. We have considered the motion, the brief in support thereof, plaintiff Desktop Direct, Inc.'s response, and defendant's reply memorandum, which we grant leave to be filed.

I

Plaintiff filed suit in district court alleging trademark infringement and unfair competition by defendant. The parties agreed on a settlement before trial, and plaintiff consequently sought and received a voluntary dismissal of the suit. Subsequently, however, plaintiff moved to vacate the dismissal and rescind the settlement agreement, contending that defendant had procured the agreement by fraud and misrepresentation. The district court granted the motion on January 5, 1993, finding that "a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." Plaintiff's notice of dismissal was therefore permitted to be withdrawn, and the settlement agreement rescinded. The district court denied defendant's later motion to reconsider and for a stay pending appeal.

Before addressing the merits of defendant's stay motion addressed to this court, as a threshold matter we must consider whether we have jurisdiction to consider an appeal from the district court's order.

II

Under 28 U.S.C. § 1291, this court has "jurisdiction of appeals from all final decisions of the district courts of the United States." A final decision is "a decision by the district court that ends the litigation on the merits and leaves nothing for the court to do but execute the judgment." *Lauro Lines S.R.L. v. Chasser,* 490 U.S. 495, 497 (1989) (quotations omitted). Here, because the district court's order not only set aside the settlement but also permitted withdrawal of the notice of dismissal, the case is now set for trial, and "the order ensures that litigation will continue in the District Court." *Gulfstream Aerospace Corp. v. Mayacamas Corp.,* 485 U.S. 271, 275 (1988). The order is therefore not final for purposes of § 1291.

This much defendant concedes, but it argues that the case falls within the long-recognized "collateral order" exception to the final judgment requirement. *See Cohen v. Beneficial Indus. Loan Corp.,* 337 U.S. 541 (1949). "[T]o fall within the *Cohen* exception, an order must satisfy at least three conditions: It must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment." *Lauro Lines,* 490 U.S. at 498 (quotations omitted). Defendant argues that this district court order satisfies each of these criteria for appealability, citing cases from the Eleventh, Fifth, and Second Circuits that so hold.[1] With due respect to our sister circuits, we disagree.

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[1] *See Forbus v. Sears, Roebuck & Co.,* 958 F.2d 1036, 1039-40 (11th Cir.), *cert. denied,* 113 S. Ct. 412 (1992); *Grillet v. Sears,*

A

The first requirement is that the order conclusively determine the validity and enforceability of the settlement agreement. The language of the district court is somewhat cryptic, ruling only that a fact-finder "could" have a basis for finding misrepresentation. From that we are unsure whether the district court contemplates submitting this issue to a jury. But we conclude that it does not because its order specifically grants plaintiff's motion to *rescind* the agreement, and it reinstates the suit against defendant. We consider the district court's decision therefore as "the final word on the subject addressed," *Moses H. Cone Memorial Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 12-13 n.14 (1983), thus satisfying the first requirement for appealability.

B

The second element of the test for appealability has two parts: The issue must be "important," and "completely separate from the merits of the action." Considering separateness first, in *Mitchell v. Forsyth*, 472 U.S. 511 (1985), the Court held that the question of a defendant's qualified immunity was "conceptually distinct from the merits of the plaintiff's claim," *id.* at 527, notwithstanding the fact that "the resolution of these legal issues will entail consideration of the factual allegations that make up the plaintiff's claim for relief," *id.* at 528. The same is true in this case. Plaintiff alleges that during settlement negotiations defendant misrepresented the date it acquired knowledge of plaintiff's trademark. Although these contentions may have some relevance to the underlying claim, the complaint of misrepresentation dur-

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Roebuck & Co., 927 F.2d 217, 219-20 (5th Cir. 1991); *Janneh v. GAF Corp.*, 887 F.2d 432, 434-36 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *see also Chaput v. Unisys Corp.*, 964 F.2d 1299, 1301 (2d Cir. 1992).

ing settlement negotiations is "conceptually distinct" from the trademark violation charges.

C

The question of the "importance" of the issue is more difficult. It is also intertwined with the third *Cohen* requirement that the issue be effectively unreviewable on appeal from a final judgment. The district court's decision setting aside the settlement agreement could be reviewed on appeal after trial. We could set aside a decision on the merits in plaintiff's favor on the basis that the settlement agreement was valid and enforceable against plaintiff. Only by characterizing plaintiff's expectation that no trial will occur after entering a settlement agreement as "a right not to be tried" can we say it is unreviewable after a final judgment. Thus, we must determine whether this expectation contemplated in the settlement agreement is important enough—a matter of such independent significance—that it must be vindicated by allowing an interlocutory appeal absent a constitutional or statutory basis. Here we part company with our sister circuits, and agree with the position of Judge Cox, dissenting in *Forbus v. Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992).

In *Janneh v. GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990), the Second Circuit held that a district court order refusing to enforce a settlement agreement

> is "important" because the order involves the deprivation of significant rights, namely, GAF's bargained-for right to avoid trial by enforcing the settlement agreement. That right implicates our nation's strong judicial and public policies favoring out-of-court settlement. Litigants, courts, and Congress view settlement as a positive force, indispensible to judicial administration. Foregoing formal courtroom proce-

> dures, including discovery, trial, briefs, and arguments, brings substantial benefits to the parties. The costs of litigation are reduced and crowded dockets are relieved.

Id. at 435 (citation, quotation, and footnotes omitted). Although we agree that as a general proposition encouragement of out-of-court settlements is desirable, we believe Supreme Court precedent takes a narrower view of which interests are "important" enough to fall within the narrow confines of the *Cohen* doctrine.

Only when there is an explicit constitutional or statutory guarantee or a compelling public policy rationale does the Supreme Court permit an interlocutory appeal. Thus, the Court recently held that a district court's denial of Eleventh Amendment immunity is immediately appealable under the collateral order rule, reasoning that "a motion by a State or its agents to dismiss on Eleventh Amendment grounds involves a claim to a *fundamental constitutional protection* whose resolution generally will have no bearing on the merits of the underlying actions." *Puerto Rico Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 113 S. Ct. 684, 688 (1933) (emphasis added) (citation omitted). Similarly, in *Abney v. United States*, 431 U.S. 651 (1977), the Court permitted immediate appeal of a denial to dismiss an indictment on double jeopardy grounds, because of the safeguards specifically ensured by the Double Jeopardy Clause. *Id.* at 659. In *Moses Cone* the Court ruled that a district court order *granting* a stay pending state proceedings is a final order; it also held that such an order would be appealable under *Cohen*, because the res judicata effects of the eventual state judgment would render a later federal appeal meaningless. 460 U.S. at 11-13. But later, in *Gulfstream* the Court concluded that a *denial* of a motion to stay a federal case in light of pending state proceedings was "inherently tentative," and therefore not within the *Cohen* exception. 485 U.S. at 278.

The Supreme Court has rejected interlocutory appeals in a variety of circumstances when there is no underlying constitutional or statutory right. In *Lauro Lines*, the Court held that an order denying a dismissal motion based on a forum-selection clause is not immediately appealable under *Cohen*. 490 U.S. at 498. In a separate concurrence, cited with approval in the even more recent *Metcalf & Eddy* decision, Justice Scalia found the importance requirement dispositive:

> The reason we say that the right not to be sued elsewhere than in [the specified forum] is adequately vindicable by merely reversing any judgment obtained in violation of it is, quite simply, that the law does not deem the right *important enough* to be vindicated by, as it were, an injunction against its violation obtained through interlocutory appeal. The importance of the right asserted has always been a significant part of our collateral order doctrine.

Id. at 502 (Scalia, J., concurring) (quotation and citation omitted). In *Midland Asphalt Corp. v. United States*, 489 U.S. 794 (1989), the Court held that a violation of grand jury secrecy requirements did not give rise to a right to an interlocutory appeal. In *Van Cauwenberghe v. Biard*, 486 U.S. 517 (1988), the Court held that "a right not to stand trial in a civil suit is not an essential aspect of a claim of immunity under the principle of specialty" applicable to extradition cases, *id.* at 526, and that denial of a motion to dismiss based on *forum non conveniens* is likewise not immediately appealable, *id.* at 529. In *Richardson-Merrell, Inc. v. Koller*, 472 U.S. 424 (1985), the Court held that "orders disqualifying counsel in civil cases, as a class, are not sufficiently separate from the merits to qualify for interlocutory appeal." *Id.* at 440. *Coopers & Lybrand v. Livesay*, 437 U.S. 463 (1978), rejected the immediate appealability of an order passing on a request for class certification. *Id.* at 469. In *United States v. Mac-*

Donald, 435 U.S. 850 (1978), the Court refused to permit an interlocutory appeal premised on a violation of the Speedy Trial Clause.

The only situation that the Supreme Court has found important enough to allow an interlocutory appeal in the absence of a constitutional or statutory guarantee involves a district court's denial of qualified immunity for a public-official defendant. In doing so, in *Mitchell v. Forsyth* the Court emphasized the unique interests protected by the qualified immunity doctrine:

> The conception animating the qualified immunity doctrine as set forth in *Harlow v. Fitzgerald*, 457 U.S. 800 (1982), is that "where an official's duties legitimately require action in which clearly established rights are not implicated, the public interest may be better served by action taken 'with independence and without fear of consequences.'" *Id.*, at 819, quoting *Pierson v. Ray*, 386 U.S. 547, 554 (1967). As the citation to *Pierson v. Ray* makes clear, the "consequences" with which we were concerned in *Harlow* are not limited to liability for money damages; they also include "the general costs of subjecting officials to the risks of trial—distraction of officials from their governmental duties, inhibition of discretionary action, and deterrence of able people from public service." *Harlow*, 457 U.S., at 816. Indeed, *Harlow* emphasizes that even such pretrial matters as discovery are to be avoided if possible, as "[i]nquiries of this kind can be peculiarly disruptive of effective government." *Id.*, at 817.

472 U.S. at 525-26. The Court held that because qualified immunity "is an *immunity from suit* rather than a mere defense to liability," immediate appeal was necessary to vindicate that right. *Id.* at 526.

The three circuit court decisions that have permitted interlocutory appeals of decisions setting aside settlement

agreements have equated the immunity from suit implied by settlement to the immunity from suit that was the subject of *Forsyth*. The *Janneh* court declared that "[t]he asserted right not to go to trial can appropriately be based on a contract between the parties." 887 F.2d at 436. We think this is too expansive a reading of the "right not to go to trial" in the context of the *Cohen* doctrine.

The Supreme Court has admonished courts to be careful "not to play word games with the concept of a right not to be tried." *Midland Asphalt*, 489 U.S. at 801 (quotation omitted). "This question is difficult because in some sense, all litigants who have a meritorious pretrial claim for dismissal can reasonably claim a right not to stand trial." *Van Cauwenberghe*, 486 U.S. at 524. We must therefore "examine the nature of the right asserted with special care to determine whether an essential aspect of the claim is the right to be free of the burdens of a trial." *Id.* at 525; *see also Mitchell*, 472 U.S. at 551 (Brennan, J., concurring in part and dissenting in part) ("To hold that a given legal claim is in fact an immunity from trial is to except a privileged class from undergoing the regrettable cost of a trial. We should not do so lightly."). *MacDonald* illustrates the narrowness of this analysis. There, the Court held that the Speedy Trial Clause does not confer a "right not to be tried," because "[i]t is the delay before trial, not the trial itself, that offends against the constitutional guarantee of a speedy trial." 435 U.S. at 861. More recently, *Midland Asphalt* held that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon *an explicit statutory or constitutional guarantee* that trial will not occur." 489 U.S. at 801 (emphasis added). Although both *MacDonald* and *Midland Asphalt* were criminal cases, they demonstrate the strict reading of the "right not to go to trial" necessary in cases like this one to meet the standard for appealability under *Cohen*.

We do not see how a private settlement contract is significantly different from the contracted forum selection clause the Supreme Court refused to enforce through interlocutory appeal in *Lauro Lines*. Forcing parties to go through what may turn out to be a wasted trial is just one of the inevitable costs of the final judgment rule.

Expansion of federal court jurisdiction in the absence of congressional authority is ground best trod lightly. The Supreme Court said it well many years ago in *Baltimore Contractors, Inc. v. Bodinger*, 348 U.S. 176 (1955):

> The Congress is in a position to weigh the competing interests of the dockets of the trial and appellate courts, to consider the practicability of savings in time and expense, and to give proper weight to the effect on litigants. When countervailing considerations arise, interested parties and organizations become active in efforts to modify the appellate jurisdiction. This Court, however, is not authorized to approve or declare judicial modification. It is the responsibility of all courts to see that no unauthorized extension or reduction of jurisdiction, direct or indirect, occurs in the federal system.

Id. at 181 (footnote omitted).

The *Cohen* doctrine was created only to fill an apparently unintentional void left by Congress in 28 U.S.C. §§ 1291 & 1292, and should not be expanded without compelling justification. A claimed right to avoid litigation based on a private contract to that effect does not meet this standard. Because the district court's order is not appealable before final judgment, we hold that we have no jurisdiction over this appeal, and the motion for stay must be denied.

APPEAL DISMISSED. The mandate shall issue forthwith.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH—CENTRAL DIVISION

Civil No. 92-C-178G

DESKTOP DIRECT, INC.
Plaintiff,

vs.

DIGITAL EQUIPMENT CORP.,
Defendant.

ORDER

[Filed Mar. 16, 1993]

This matter is before the court on defendant Digital Equipment Corporation's Motion for Reconsideration, or in the alternative to Stay the effect of the Order and for Enlargement of Time for Filing the Answer. After due consideration the Motions to Reconsider, to Stay and for Enlargement of Time are hereby denied.

IT IS SO ORDERED.

DATED: March 15th, 1993

/s/ J. Thomas Greene
J. THOMAS GREENE
United States District Judge

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APPENDIX C

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH—CENTRAL DIVISION

Civil No. 92-C-178G

DESKTOP DIRECT, INC.,
a Utah Corporation,
Plaintiff,

v.

DIGITAL EQUIPMENT CORP.,
a Massachusetts Corporation,
Defendant.

ORDER

[Filed Jan. 5, 1993]

Plaintiff's Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement was argued to the court on December 18, 1992. Plaintiff, Desktop Direct, Inc. ("Desktop"), was represented by John Paul Kennedy and Larry R. Laycock. Defendant, Digital Equipment Corp. ("Digital"), was represented by J. Preston Stieff and Laurence Hefter.

On February, 28, 1992, Desktop filed a Complaint in this Court alleging that defendant was infringing its trade name and trademark. The matter was settled by the parties on March 25, 1992, whereupon Desktop filed a Notice of Dismissal.

On September 17, 1992, Desktop filed the Present Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement, alleging that during the settlement

discussions Digital had failed to disclose certain key facts relevant to the negotiations and misled Desktop.

Having reviewed the memorandums and affidavits submitted by the parties, this Court concludes that a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff. Accordingly, it is hereby

ORDERED, that Plaintiff's Motion to Withdraw Notice of Dismissal and to Rescind Settlement Agreement is GRANTED.

DATED: January 5th, 1993.

/s/ J. Thomas Greene
J. THOMAS GREENE
United States District Judge

APPENDIX D

UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

No. 93-4024

DESKTOP DIRECT, INC.,
a Utah corporation,
Plaintiff-Appellee,
v.

DIGITAL EQUIPMENT CORPORATION,
a Massachusetts corporation,
Defendant-Appellant.

ORDER

Entered June 16, 1993

Before McKAY, Chief Judge, and LOGAN, SEYMOUR, MOORE, ANDERSON, TACHA, BALDOCK, BRORBY, EBEL and KELLY, Circuit Judges.

This matter comes on for consideration of appellant's petition for rehearing and suggestion for rehearing in banc.

Upon consideration whereof, the petition for rehearing is denied by the panel that rendered the decision.

In accordance with Rule 35(b), Federal Rules of Appellate Procedure, the suggestion for rehearing in banc

was transmitted to all of the judges of the court who are in regular active service. No member of the panel and no judge in regular active service on the court having requested that the court be polled on rehearing in banc, Rule 35, Federal Rules of Appellate Procedure, the suggestion for rehearing in banc is denied.

Entered for the Court

ROBERT L. HOECKER
Clerk

By: /s/ Patrick Fisher
PATRICK FISHER
Chief Deputy Clerk

Supreme Court, U.S.
FILED
OCT 12 1993
OFFICE OF THE CLERK

No. 93-405

In The

Supreme Court of the United States

October Term, 1993

DIGITAL EQUIPMENT CORPORATION,

Petitioner,

v.

DESKTOP DIRECT, INC.,

Respondent.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Tenth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Should certiorari be granted in a case where, under the collateral order doctrine, Petitioner's claimed right is not sufficiently important to overcome the policies militating against interlocutory appeals because that right was created by a private agreement procured through fraud and misrepresentation?

2. Should certiorari be granted for the purpose of possibly expanding the collateral order doctrine to permit an interlocutory appeal in a situation where the Petitioner's contentions regarding the merits of the issues now under appeal can be raised on direct appeal after final judgment?

3. Should this Court grant certiorari and review an interlocutory decision when a final judgment has not been entered by the district court and when Petitioner failed even to attempt to qualify this matter for appellate review by seeking to have the district court include in its order a statement allowing an appeal pursuant to 28 U.S.C. § 1292(b)?

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No. 93-405

In The

Supreme Court of the United States

October Term, 1993

DIGITAL EQUIPMENT CORPORATION,

Petitioner,

v.

DESKTOP DIRECT, INC.,

Respondent.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Tenth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Respondent Desktop Direct, Inc., respectfully submits this Brief in Opposition to the petition for a writ of certiorari filed by Petitioner Digital Equipment Corporation seeking to review the decision rendered by the Tenth Circuit Court of Appeals in this matter on May 17, 1993.

OPINIONS BELOW

Petitioner has attached copies of the opinion of the Tenth Circuit in its appendix ("Pet. App.") at 1a (reported at 993 F.2d 755) and 14a (denying rehearing).

JURISDICTION

Respondent contends that there is no appellate jurisdiction over this matter.

STATEMENT OF THE CASE

Respondent Desktop is a small corporation with a handful of employees engaged in the sale of computer related equipment. Petitioner Digital is a multi-billion dollar corporation with thousands of employees, also engaged in the sale of computer-related products. In late 1991 Digital commenced to use the same name that Desktop had been using in its business. Facing a lawsuit by Desktop for unlawful use of the Desktop name, Digital represented to Desktop that it had committed an innocent mistake in using the Desktop name. At the same time, Digital threatened to engage in tactics which would prolong the litigation for years if Desktop did not agree to a settlement.[1] The parties reached a settlement and the lawsuit was dismissed in March 1992.

In May 1992, during an informal conversation, an attorney for Digital informed counsel for Desktop that Digital, with foreknowledge about Desktop Direct, proceeded nevertheless to use Desktop's name over the advice of counsel.[2] Desktop retained new attorneys and filed a motion to set aside the dismissal and reinstate the

[1] Steven Rowley declaration filed by respondent in the district court.

[2] Andrew Bridges, Esq., declaration filed by Respondent in the district court.

lawsuit on the basis that the settlement was induced by Digital's fraudulent misrepresentations.

During the briefing on that motion, Digital admitted that indeed it had foreknowledge of Desktop and the Desktop Direct name, but nevertheless intentionally proceeded to use the same name. Digital had launched a multi-million dollar media campaign promoting "Desktop Direct from Digital."[3]

On the basis of the full and complete submissions of the parties, supplemented with oral argument, the district court granted Desktop's motion and set aside the fraudulently obtained settlement. Digital sought reconsideration and a stay which were denied by the district court.

Digital failed to seek an order under 28 U.S.C. § 1292(b) but instead filed an appeal with the Tenth Circuit Court of Appeals, claiming appellate jurisdiction under the collateral order doctrine and asking the Tenth Circuit for a stay.

The Tenth Circuit ruled that the collateral order doctrine did not apply in a situation such as this and dismissed the appeal and denied the stay. Pet. App. 10a.

REASONS FOR DENYING THE WRIT

I. THIS MATTER IS NOT "SUFFICIENTLY IMPORTANT TO OVERCOME THE POLICIES MILITATING AGAINST INTERLOCUTORY APPEALS."

Digital asserts that, in what the district court found to be a fraudulently obtained settlement, the parties created by their private agreement a "right not to go to

[3] *See* declarations of Barry Yanes and Janis LaRue, Esq., filed by Petitioner in the district court.

trial."[4] Digital now contends that this appeal is necessary to assure the protection of that alleged right. As noted, however, by Justice Scalia in his concurring opinion in *Lauro Lines v. Chasser,* 490 U.S. 495, 503 (1989), the collateral order doctrine should not apply to private agreements:

> We have made that judgment when the right to be tried in a particular court has been created through jurisdictional limitations established by Congress or by international treaty, see *Van Cauwenberghe, supra.* The same judgment applies – if anything, *a fortior* – when the right has been created by private agreement.

In his same opinion (*id.* at 502) Justice Scalia noted [quoting from *Abney v. United States,* 431 U.S. 651 (1977)]:

> [T]o qualify for immediate appeal the order must involve "an important right which would be 'lost probably *irreparably,*' if review had to await final judgment." [Emphasis added.]

The right asserted by Digital in this case is not a constitutional or statutory right. Rather, it is one created by private agreement. The court below found that the "importance test" was not satisfied in this case. That determination was correct and followed the precedents of

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[4] The fraudulently obtained settlement document contains no statement that Digital has a right not to face trial. While not containing a covenant not to sue, the document does state that the parties release and discharge each other from all claims, actions, suits, and causes of action. It can be argued that the document merely provides a defense to liability rather than creates "a right not to go to trial." See, Mitchell v. Forsyth, 472 U.S. 511 (1985). And see, Transtech Industries, Inc. v. A & Z Septic Clean, No. 92-5636 (3d Cir. Sept. 17, 1993) p. 8.

this Court to the effect that interlocutory appeals should not be allowed when there is no underlying constitutional or statutory right. As the court below properly cautioned, "Expansion of federal court jurisdiction in the absence of congressional authority is ground best trod lightly." Pet. App. 10a. The Tenth Circuit correctly noted (Pet. App. 10a):

> The *Cohen* doctrine was created only to fill an apparently unintentional void left by Congress in 28 U.S.C. §§ 1291 & 1292, and should not be expanded without compelling justification. A claimed right to avoid litigation based on a private contract to that effect does not meet this standard.

Here, by contorting the application of *Cohen,* Digital seeks to expand federal appellate court jurisdiction to include those cases involving merely a private contractual right as opposed to those cases involving constitutional or statutory rights. Such expansion, in the absence of congressional authorization, should not be allowed.

Moreover, being required to go to trial does not cause Digital any "irreparable" loss which is required for application of the collateral order doctrine. *See, Abney v. United States,* 431 U.S. 651, 658 (1977). Instead, Digital faces merely the financial expenses and potential liability incident to any trial for intentional trademark infringement. Such consequences do not meet the "importance test" of *Cohen v. Beneficial Indus. Loan Corp.,* 327 U.S. 541, 546 (1949). Agreeing with such a conclusion, the Third Circuit in *Transtech Industries, Inc. v. A & Z Septic Clean,* No. 92-5636 (3d Cir. Sept. 17, 1993) p.6, referenced this

Court's opinion in *Lauro Lines v. Chasser*, 490 U.S. 495, 499 (1989):

> That an erroneous ruling may result in additional litigation expense " 'is not sufficient to set aside the finality requirement imposed by Congress' [in section 1291]." [Citing *Richardson-Merrell, Inc. v. Koller*, 472 U.S. 424, 436 (1985).]

Further, in refusing to expand the collateral order doctrine, this Court stated in *Van Cauwenberghe v. Biard*, 486 U.S. 517, 525 (Marshall, J.):

> The defendant is not even compelled to be present at trial. We therefore conclude that a right not to stand trial in a civil suit is not an essential aspect of a claim of immunity under the principle of specialty.

Likewise, here it is possible that Digital could default on all remaining issues to be considered at trial and still obtain appellate review of the question regarding whether the settlement agreement was properly set aside by the district court. Hence, Digital's claimed right would not be "irretrievably lost" absent an immediate appeal. *Id.* at 524. Thus, for this reason also the collateral order doctrine should not apply in this case.

II. PETITIONER SHOULD HAVE SOUGHT REVIEW UNDER SECTION 1292(b).

A review on writ of certiorari is not a matter of right, but of judicial discretion. S. Ct. Rule 10. In this case this Court should exercise its discretion and deny the Petition.

When the district court granted Desktop's motion to set aside the settlement, Digital could have requested that

the district court include in his order a statement pursuant to 28 U.S.C. § 1292(b), thereby providing a statutory basis for the appeal to the Tenth Circuit and avoiding any necessity for an attempted expansion of the *Cohen* exception. Digital failed to make such a request.[5]

Instead of seeking to qualify its case for appellate review as permitted by statute, Digital now asks this Court to expand appellate jurisdiction beyond that permitted by statute or precedents of this Court.

The issue now presented by Digital for review by this Court could have been resolved in Digital's favor by the court of appeals without requiring any attention by this Court whatsoever if Digital had successfully attempted to appeal under Section 1292(b).

Digital repeatedly attempts to rely on its alleged contractual right (obtained through fraud and misrepresentation) "not to go to trial." *See, e.g.*, Pet. 19. The validity, if any, of the settlement agreement and such a claimed right could have been determined on appeal if Digital had successfully requested the district court to certify the case under Section 1292(b). Digital failed even to request such certification at the district court level or at the circuit court level. Now, Digital seeks to remedy its failure by asking this Court through a petition for certiorari to expand the narrow application of the collateral order doctrine.

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[5] In this sense, the arguments supporting Digital's petition for certiorari are not even as strong as those presented unsuccessfully by the defendants-appellants in the *Transtech* case, who at least sought an order under Section 1292(b).

III. THE CASES RELIED UPON BY PETITIONER ARE DISTINGUISHABLE.

Petitioner relies upon three circuit court opinions to bolster its argument that certiorari should be granted so that the collateral order doctrine may be expanded to apply in this case. Those opinions, however, are distinguishable from the case at hand. Any potential conflict in circuit court opinions can be resolved without the intervention of this Court.

For example, in *Grillet v. Sears, Roebuck & Co.*, 927 F.2d 217, 219 (5th Cir. 1991), it was indicated that the collateral order doctrine would not apply if the appellate court were reviewing the question of whether the release was obtained through fraud because issues involving

> the execution of the release, therefore, would involve "considerations that are 'enmeshed in the factual and legal issues comprising' " Grillet's employment discrimination claim. *Coopers & Lybrand*, 437 U.S. at 469.

In this case, of course, the precise issue which would be presented for review by the appellate court would involve the settlement document and whether its execution was procured by fraud. Thus, under *Grillet's* reasoning, the collateral order doctrine would not appropriately apply here.[6]

With respect to the ruling in *Janneh v. GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), it is clear that there is a significant

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[6] While a Fifth Circuit case, *Grillet* was actually written by Judge Duhe of the Eleventh Circuit.

factual distinction from the case at hand. The opinion in *Janneh* commences with the following (*id.* at 433):

> Should a court system awash in backlog delay further the disposition of a case where there is convincing proof that a settlement has been reached?

Contrary to the facts in *Janneh*, the facts in this case provided convincing proof that a valid and enforceable settlement did not exist. Instead, the district court found that the settlement had been procured by fraud. Thus, if the facts of *Janneh* were similar to those present here, it is likely that that court would have adopted a different analysis. Indeed, if it had followed the suggestion of the court in the *Grillet* case, *supra*, it is probable that the Second Circuit would not have applied the collateral order doctrine under facts similar to those in the present case. The *Janneh* court would not have applied the *Cohen* exception if to do so would have enmeshed it in a determination concerning the validity of the execution of the settlement agreement.

The ruling of the Eleventh Circuit in *Forbus v. Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir. 1992), appears to be an aberration from the precedents of this Court. The weakness of the majority opinion in *Forbus* is identified in the dissent of Judge Cox (*id.* at 1042), whose analysis is approved by the court below in this case. Pet. App. 5a. *Forbus* relies heavily on *Grillet* and *Janneh*, but fails entirely to consider *Grillet's* distinction with respect to a case where the court was faced with evaluation of the circumstances surrounding execution of a settlement agreement.

Thus, upon analysis the "sharp conflict" in circuit decisions as asserted by Petitioner is substantially dulled. The recent ruling in *Transtech Industries, Inc. v. A & Z Septic Clean*, No. 92-5636 (3d Cir. Sept. 17, 1993), suggests that if careful attention is given by the circuit courts to the facts of the various matters presented to them, the precedents of this Court can be applied without confusion – assuming, as suggested in *Midland Asphalt*, 489 U.S. at 801, that litigants and courts do not engage in "word games."

CONCLUSION

To permit an interlocutory appeal in every situation where a release or settlement was ruled invalid would increase judicial backlogs and prolong litigation. As in *Transtech*, the Petitioner in this case has surrendered to "what appears to be an irresistible impulse on the part of appellants to invoke the 'collateral order' doctrine whenever the question of appealability arises." If the Petitioner is granted the right to appeal in this case, "[I]t would be difficult to deny [appeal rights] to other litigants who can assert the benefit of such affirmative and dispositive defenses as claim or issue preclusion, statute of limitations, lack of subject matter jurisdiction, and the like." *Transtech* at pp. 7, 9. The exception of *Cohen* should not be expanded to the point where it "swallows the rule" requiring a final order.

As a practical matter, the district court serves as a safeguard in most instances. In close and appropriate

cases, parties may seek an appeal through the process contained in 28 U.S.C. § 1292(b).

The decision of the court below was correct; private agreements do not provide justification for expansion of the *Cohen* exception; the merits of the ruling of the district court can be addressed upon direct appeal after final judgment; the costs of litigation also do not justify expansion of the *Cohen* exception; and the decisions of the circuits can be reconciled.

On the basis of the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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Dated: October 11, 1993.

Supreme Court, U.S.
FILED
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No. 93-405

IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,
v.
DESKTOP DIRECT, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

REPLY BRIEF FOR PETITIONER

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

No. 93-405

DIGITAL EQUIPMENT CORPORATION,
Petitioner,

v.

DESKTOP DIRECT, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

---

REPLY BRIEF FOR PETITIONER

The opposition to certiorari filed by respondent Desktop Direct, Inc. ("Desktop") fails to rebut petitioner's showing that the decision below creates a sharp conflict among the circuits on a question of federal jurisdiction that should be resolved by this Court.[1] On the contrary, developments since the petition was filed confirm the need for this Court to grant the writ.

1. When petitioner Digital Equipment Corporation ("Digital") filed its petition for certiorari, it also filed an application for a stay with Justice Thomas as Circuit Justice for the Tenth Circuit. Justice Thomas referred the application to the whole Court, and on October 4, 1993, this Court granted the stay without recorded dissent. *Digital Equipment Corporation* v. *Desktop Direct, Inc.*,

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[1] The statement required by S. Ct. Rule 29.1 appears at Pet. ii.

No. A-252 (Oct. 4, 1993). This Court has therefore concluded that there is at least "a reasonable probability that certiorari will be granted" and "a significant possibility that the judgment below will be reversed." *Barnes v. E-Systems, Inc.*, 112 S. Ct. 1, 2 (1991) (Scalia, J., Circuit Justice).[2] Nothing in the opposition filed by Desktop undermines that conclusion.[3]

2. Indeed, the likelihood of certiorari being granted is even stronger now than it was when Digital filed its petition. Four days after Digital's petition was filed, the Third Circuit decided *Transtech Industries, Inc.* v. *A & Z Septic Clean*, No. 92-5636 (3d Cir. Sept. 17, 1993). In that case, the court held that the district court's refusal to enforce a settlement agreement was not immediately appealable under the collateral order doctrine. The court noted the "line of cases holding that interlocutory orders denying enforcement of settlement or release agreements are immediately appealable," citing *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036, 1039-40 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992); *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217, 219-220 (5th Cir. 1991); *Janneh* v. *GAF Corp.*, 887 F.2d 432, 436 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); and *Towers Hotel Corp.* v. *Rimmel*, 871 F.2d 766, 769-770 (8th Cir. 1989). 1993 U.S.

[2] *See also, e.g., Curry* v. *Baker*, 479 U.S. 1301, 1302 (1986) (Powell, J., Circuit Justice) (showing of "a reasonable probability that four Justices will consider the issue sufficiently meritorious to grant certiorari" and a "significant possibility that a majority of the Court will conclude that the decision below was erroneous" necessary for a stay); *United States Postal Service* v. *Letter Carriers*, 481 U.S. 1301, 1302 (1987) (Rehnquist, C. J., Circuit Justice); *Hicks* v. *Feiock*, 479 U.S. 1305, 1306 (1986) (O'Connor, J., Circuit Justice). Respondent fails to mention this Court's grant of the stay in its statement of the case. *See* Opp. at 2-3.

[3] It should be unnecessary to point out that Digital disagrees with Desktop's argumentative statement of the case. What is important to note is that the factual disagreements between the parties on the underlying merits in no way affect the purely legal jurisdictional question presented.

App. Lexis 23888, *13-*14.[4] After noting that the case before it was distinguishable in that the settlement involved a non-party to the litigation (the United States), the Third Circuit stated that "[m]ore significant, however, is our disagreement with the decisions in *Forbus, Grillet, Janneh,* and *Towers.*" The Third Circuit instead expressly agreed with the decision of the Tenth Circuit below. *Id.* at *14.

This very recent decision highlights the split in the circuits on the question presented here, and the need for this Court to resolve the persistent conflict. The decision also confirms the frequency with which this issue arises in the federal courts, and—by agreeing with the decision below (the minority view) and expressly disagreeing with the other circuits that have considered the issue—solidifies the circuit conflict. The conflict is, moreover, a current one. All of the cases discussing the issue have been decided within the last four years. The conflict is ripe for resolution by this Court.

3. Desktop cannot and does not deny the existence of this circuit conflict. arguing only that the sharp conflict can be "substantially dulled." Opp. at 10. Indeed, Desktop does not even attempt to distinguish the recent decision of the Eleventh Circuit in *Forbus,* instead simply asserting that it was wrongly decided. Opp. at 9. Desktop contends that the Second Circuit's decision in *Janneh* is distinguishable, but the alleged distinction is transparently irrelevant to the question presented. According to Desktop, there was a valid settlement in *Janneh* but not

[4] *Forbus, Grillet,* and *Janneh* are discussed in Digital's petition. *See* Pet. at 7-11. In *Towers Hotel Corp.*, the Eighth Circuit held that the district court's refusal to order the release of escrowed funds pursuant to a settlement agreement was immediately appealable under the collateral order doctrine. The court found that the decision conclusively interpreted the relevant provision of the settlement agreement, resolved an important issue separate from the merits of the underlying litigation, and would not be subject to review at a later point in time.

in this case. Opp. at 8-9. We of course believe that there is a valid settlement here, but that dispute goes to the merits—not to the jurisdictional question presented.

Desktop's purported distinction of the Fifth Circuit's decision in *Grillet* is similarly unavailing.[5] The court in that case—relying on the Second Circuit's decision in *Janneh*—held that a district court's refusal to enforce an agreement not to litigate was appealable under the collateral order doctrine. 927 F.2d at 219-221. Contrary to Desktop's representation, the court did not "indicate[] that the collateral order doctrine would not apply if the appellate court were reviewing the question of whether the release was obtained through fraud." Opp. at 8. Instead, the court stated that the issue would be "closer" if the defendant did not also rely on the plaintiff's subsequent ratification of the release. 927 F.2d at 219. The reason is that the plaintiff's allegations concerning the release were among the acts of employment discrimination that formed her underlying claim. Here Desktop's allegations concerning the settlement agreement are in no sense part of its underlying claim of trademark infringement, so the *Grillet* court's holding is fully applicable. That is what the Tenth Circuit below recognized in citing *Grillet* as conflicting authority. Pet. App. 3a-4a & n.1.[6]

Most important, Desktop's attempt to distinguish some of the conflict cases rings hollow given that the courts of appeals themselves have expressly noted the conflict among the circuits. The Tenth Circuit below candidly explained that it "disagree[d]" with the Second, Fifth.

[5] Desktop states that "[w]hile a Fifth Circuit case, *Grillet* was actually written by Judge Duhé of the Eleventh Circuit." Opp. at 8 n.6. The significance of the point is not clear, but it should be noted that Desktop is misinformed. Judge Duhé sits on the Fifth Circuit.

[6] This case in any event also involves the same ratification issue the *Grillet* court found significant in its analysis. Respondent continues to retain the substantial sum it received under the settlement agreement.

and Eleventh Circuits, and was "part[ing] company with" those courts. Pet. App. 3a, 5a. The Third Circuit in *Transtech* also acknowledged the circuit conflict and deepened it by agreeing with the Tenth Circuit. 1993 U.S. App. Lexis 23888, *13-*14.

4. Desktop's arguments on the merits of the jurisdictional issue do nothing to mitigate this circuit conflict. The suggestion that the Settlement Agreement did not confer on Digital the right to avoid trial on Desktop's claim is frivolous; indeed, Desktop cannot quite bring itself to embrace the contention, noting only that it is arguable. *See* Opp. at 4 n.4. Conferring the right to avoid trial is what settlement agreements do; the one in this case was, not surprisingly, expressly contingent on dismissal of Desktop's pending suit and contained a release of all claims. *See* Pet. at 3.

Desktop's only answer to the point that failure to allow immediate appeal would irreparably deprive Digital of its right to avoid trial is the glib one that Digital could avoid trial by defaulting. Opp. at 6. But this argument proves far too much, for it would defeat the collateral order doctrine in all circumstances. The same argument could have been made with respect to the defendant with a double jeopardy claim, the public official with a qualified immunity claim, or a state agency with an Eleventh Amendment immunity claim—all situations in which this Court has upheld appeals under the collateral order doctrine.

5. Desktop is also wrong to contend that Digital should not be permitted to appeal under the collateral order doctrine because it did not seek leave to appeal under the entirely distinct route of 28 U.S.C. § 1292(b). Appeal under the collateral order doctrine is an appeal of right based in this Court's longstanding interpretation of 28 U.S.C. § 1291; the Section 1292(b) route is doubly discretionary, with the district court and the court of appeals. Desktop cites no authority—and we are aware of none—for the proposition that invocation of Section

1292(b) procedures is a prerequisite to an appeal under the collateral order doctrine.

* * * *

There is a sharp conflict among the circuits, recognized by the court below and now by the Third Circuit as well. This Court has already indicated the cert-worthiness of this case by granting the stay. The Court should grant the writ and reverse the decision below.

Respectfully submitted,

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EDITOR'S NOTE

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No. 93-105

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,

v.

DESKTOP DIRECT, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

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PETITION FOR CERTIORARI FILED SEPTEMBER 13, 1993
CERTIORARI GRANTED NOVEMBER 1, 1993

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District Court Order Denying Motion for Reconsideration or in the Alternative to Stay the Effect of the Order .....Pet. App. 11a

District Court Order Granting Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement .....Pet. App. 12a

Order of the Court of Appeals Denying Petition for Rehearing .....Pet. App. 14a

UNITED STATES DISTRICT COURT
DISTRICT OF UTAH
(Central)

Civil Docket for Case #92-CV-178

DESKTOP DIRECT, INC.,
a Utah corporation,
Plaintiff,

v.

DIGITAL EQUIPMENT CORPORATION,
a Massachusetts corporation,
Defendant.

RELEVANT DOCKET ENTRIES

Date	No.	Proceedings
2/28/92	1	Complaint filed, assigned to Judge JTG. Receipt #: 45400 (bn) [Entry date 03/02/92]
2/28/92	—	Summons(es) issued for Digital Equip Corp (bn) [Entry date 03/02/92]
3/26/92	2	Notice of voluntary dismissal (ch)
4/2/92	—	Case closed (ch)
9/17/92	3	Motion by Desktop Direct Inc to withdraw [2-1] notice of dismissal, and to rescind the stlmt agrmt on the basis of fraud in the inducemt (ch) [Entry date 09/18/92]
9/17/92	4	Memorandum by Desktop Direct Inc in support of [3-2] motion to rescind the stlmt agrmt on the basis of fraud in the inducemt, [3-1] motion to withdraw [2-1] notice of dismissal (ch) [Entry date 09/18/92]

Date	Nr.	Proceedings
10/1/92	5	Motion by Desktop Direct Inc to seal part of the record until further order (ch)
10/1/92	6	Order granting [5-1] motion to seal part of the record until further order signed by JTG 10/1/92; cc:attys (ch)
10/1/92	7	Notice, by Clerk of Court, regarding original pages removed from court's file pursuant to order (doc #6) (ch)
10/1/92	8	Supp Memorandum by Desktop Direct Inc in support of [3-1] motion to withdraw [2-1] notice of dismissal, [3-2] motion to rescind the stlmt agrmt on the basis of fraud in the inducemt (ch) [Entry date 10/02/92]
10/16/92	11	Memorandum by Desktop Direct Inc in opposition to [3-1] motion to withdraw [2-1] notice of dismissal, [3-2] motion to rescind the stlmt argmt on the basis of fraud in the inducemt (ch) [Entry date 10/19/92]
10/16/92	12	Declaration of Laurence R. Hefter (ch) [Entry date 10/19/92]
10/16/92	13	Declaration of David M. Kelly (ch) [Entry date 10/19/92]
10/16/92	14	Declaration of Barry H. Yanes (ch) [Entry date 10/19/92]
10/16/92	15	Declaration of Janis M. Larue (ch) [Entry date 10/19/92]
11/9/92	25	Reply by Desktop Direct Inc to response to [3-1] motion to withdraw [2-1] notice of dismissal, [3-2] motion to rescind the stlmt agrmt on the basis of fraud in the inducemt (ch) [Entry date 11/10/92]
12/18/92	30	Minute entry:, Motion hearing held for [3-1] motion to withdraw [2-1] notice of dismissal, held for [3-2] motion to rescind the stlmt

Date	Nr.	Proceedings
		argmt on the basis of fraud in the inducemt [3-1] motion to withdraw [2-1] notice of dismissal taken under advisement, [3-2] motion to rescind the stlmt agrmt on the basis of fraud in the inducemt taken under advisement; Judge: J. Thomas Green Court Reporter: Reeve Butler Court Deputy: Theresa Brown (tb)
1/5/93	31	Order granting [3-1] motion to withdraw [2-1] notice of dismissal granting [3-2] motion to rescind the stlmt agrmt on the basis of fraud in the inducemt signed by JTG 1/5/93; cc:attys (ch)
1/5/93	—	Case reopened (ch)
1/19/93	33	Return of summons executed as to Digital Equip Corp 1/19/93 Answer due on 2/8/93 for Digital Equip Corp (ch) [Entry date 01/20/93]
2/4/93	34	Notice of appeal by Digital Equip Corp appealing from the order granting pltf's motion to withdraw notice of dismissal and to rescind settlement agreement entered 1/5/93; Fee Status: paid #051518 (lynn) [Entry date 02/05/93]
2/5/93	35	Notice of appeal and certified copy of docket to USCA: Appeal packets to cnsl RE [34-1] appeal (lynn)
2/8/93	36	Motion by Digital Equip Corp to extend time to answer (ch) [Entry date 02/09/93]
2/8/93	37	Memorandum by Digital Equip Corp in support of [36-1] motion to extend time to answer (ch) [Entry date 02/09/93]
2/12/93	38	Objections by Desktop Direct Inc [36-1] motion to extend time to answer (ch)

Date	Nr.	Proceedings
2/16/93	41	Motion by Digital Equip Corp for reconsideration of [31-1] order (ch) [Entry date 02/17/93]
2/16/93	42	Memorandum by Digital Equip Corp. in support of [41-1] motion for reconsideration of [31-1] order (ch) [Entry date 02/17/93]
2/16/93	43	Alternative Motion by Digital Equip Corp to stay the Ct's 1/5/93 Order Pndg Appeal if Def's Mot/Recon is Denied (ch) [Entry date 02/17/93]
2/16/93	44	Memorandum by Digital Equip Corp in support of [43-1] motion to stay the Ct's 1/5/93 Order Pndg Appeal if Def's Mot/Recon is Denied (FILED UNDER SEAL) (ch) [Entry date 02/17/93]
2/22/93	46	Reply by Digital Equip Corp to response to [36-1] motion to extend time to answer (ch)
3/15/93	—	Transcript of Proceedings for dates of 12/18/92 (mw)
3/16/93	47	Order denying [41-1] motion for reconsideration of [31-1] order, denying [43-1] motion to stay the Ct's 1/5/93 Order Pndg Appeal if Def's Mot/Recon is Denied, denying [36-1] motion to extend time to answer signed by JTG 3/15/93; cc:attys (ch)
3/23/93	48	Motion by Desktop Direct Inc to extend time to respond to def's mot to seal record (mr) [Entry date 03/24/93]
3/23/93	49	Notice of Withdrawal of [39-1] motion to seal a portion of the record (mr) [Entry date 03/24/93]
3/30/93	50	Answer to Complaint by Digital Equip Corp (ch) [Entry date 03/31/93]

Date	Nr.	Proceedings
5/19/93	51	Certified copy of mandate from USCA Re: [34-1] appeal dismissing [34-1] appeal (lynn) [Entry date 05/21/93]
5/21/93	52	Certificate of service by Desktop Direct Inc re: first set of requests for prod of documents & things, first set of interrog, first set of requests for admission (bn) [Entry date 05/24/93]
5/26/93	53	Notice of Hearing filed: status conference set for 10:00 6/11/93 JUDGE: JTG (bn)
6/11/93	54	Minute entry: status conference held, pla rep by John Paul Kennedy, Larry R. Laycock, def rep by David M. Kelly, J. Preston Stieff. Discussion held. Cnsl are to prep a disc order identifying the issues and agrd disc purs to Rule 26F FRCP. Depos are ltd to 3 per side. Further discussion will be held at a disc conference at which time the stip disc order is to be delivered to the Ct to be finalized. discovery hearing set for 1:00 7/9/93; if the ptys stip to form of disc order, Mr. Kelly need not apr. Judge: J.T. Greene, Court Reporter: Patti Walker, Court Deputy: Catherine Hollstein (ch) [Entry date 06/14/93]
6/21/93	55	Stipulation by Digital Equip Corp, Desktop Direct Inc stip to extend time to 7/5/93 for Digital Equip Corp to respond to pla's disc requests (bn) [Entry date 06/22/93]
6/23/93	56	Order granting [55-1] stipulation motion stip to extend time to 7/5/93 for Digital Equip Corp to respond to pla's disc requests signed by JTG 6/22/93 (bn)
7/7/93	57	Certificate of service by Digital Equip Corp re: responses & obj to first set of requests for admission; responses & obj to first set of requests for prod of documents & things; ans & obj to first set of interrog (bn)

Date	Nr.	Proceedings
7/9/73	—	Discovery hearing held (kj) [Entry date 07/12/93]
7/9/93	58	Minute entry: Discovery hrg held, John Paul Kennedy for pla & J. Preston Stieff for dft present; scheduling order deadlines: setting Status conference by 9:30 1/14/94 Discovery deadline on 12/1/93 Deadline for filing of all motions by 12/30/93; Mr. Kennedy to prepare the order; Judge: Thomas Greene Court Reporter: Reeve Butler Court Deputy: Kim Jones (kj) [Entry date 07/12/93]
9/21/93	59	Motion by Desktop Direct Inc to Take Deposition of Janis LaRue in SLC (bn)
9/21/93	60	Memorandum by Desktop Direct Inc in support of [59-1] motion to Take Deposition of Janis LaRue in SLC (bn)
10/8/93	61	Notice of stay by Digital Equip Corp. Supreme Court order of 10/4/93 granted Digital's application for stay. By staying the effect of this court's 1/5/93 order, the Supreme Court has stayed this action in its entirety. (hm)
10/8/93	—	Action STAYED. See document #61. (hm)
10/15/93	62	Letter from USCA Re: Notice of Petition for Writ of Certiorari filed 9/13/93 and assigned Supreme Court No. 93-405 (lynn) [Entry date 10/19/93]

UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

No. 93-4024

DESKTOP DIRECT, INC.,
a Utah corporation,
Plaintiff-Appellee,

v.

DIGITAL EQUIPMENT CORPORATION,
a Massachusetts corporation,
Defendant-Appellant.

Appeal from the United States District Court
for the District of Utah

RELEVANT DOCKET ENTRIES

Date	Proceedings
2/9/93	[653222] Civil case docketed. Preliminary record filed. Transcript order form due 2/16/93 for Reeve Butler pursuant to R.42.1 Docketing statement due 2/19/93 for Digital Equipment Notice of appearance due 2/19/93 for Digital Equipment, for Desktop Direct, Inc. (lwb)
2/26/93	[657525] Order filed by RLH (err)—considering this case for summary disposition under 10 Cir. R. 27. Parties' simultaneous memorandum briefs due 3/19/93 for Digital Equipment, for Desktop Direct, Inc. BRIEFING ON THE MERITS IS TOLLED. Parties served by mail. (ss)

Date	Proceedings
3/19/93	[662597] Appellant's memorandum brief filed by Digital Equipment. Original and 7 copies. c/s: y (kc)
3/19/93	[662600] Appellee's memorandum brief filed by Desktop Direct, Inc. Original and 7 copies. c/s: y (kc)
3/25/93	[664547] Appellant's motion filed by Appellant Digital Equipment for leave to file supplemental memorandum [93-4024]. Original and 7 copies c/s: y (lwb)
3/29/93	[664631] Appellant's motion filed by Appellant Digital Equipment for stay pending appeal and attached memorandum. [93-4024]. Original and 3 copies c/s: y (lwb)
3/30/93	[665129] Order filed by (er) RLH granting Appellant/Petitioner motion for leave to file supplemental memorandum [664547-1] Parties served by mail. (lwb)
3/30/93	[665132] Appellant's supplemental memorandum brief filed by Digital Equipment. Original and 6 copies. c/s: y (lwb)
4/2/93	[665873] Order filed by RLH—REFERRING JURISDICTIONAL ISSUES TO PANEL ON THE MERITS. Appellant's brief and appendix due 5/12/93 for Digital Equipment. (err) Parties served by mail. (ss)
4/6/93	[666794] Appellee's memorandum in opposition to (1) appellant's motion for leave to file a supplemental memorandum brief on the issue of jurisdiction; and (2) appellant's supplemental memorandum brief in support of jurisdiction filed by Desktop Direct, Inc. Original and 7 copies. c/s: y (kc)
4/6/93	[666828] Appellant's motion for stay submitted to panel. (kc)

Date	Proceedings
4/13/93	[668659] Appellee's memorandum brief filed by Desktop Direct, Inc. Original and 7 copies. c/s: y (kc)
4/19/93	[670275] Appellant's motion for leave to file a reply memorandum in support of its motion for emergency stay filed by Appellant Digital Equipment [93-4024]. Original and 3 copies c/s: y (kc)
4/19/93	[670286] Appellant's reply memorandum in support of appellant's motion for emergency stay filed by Digital Equipment. Original and 3 copies. c/s: y (kc)
4/26/93	[672701] Appellee's memo in opposition to appellant's motion for leave to file a reply memo and in opposition to appellant's proposed reply memo, filed by Desktop Direct, Inc. Original and 7 copies. c/s: y (lwb)
4/26/93	[673022] Appellant's motion for stay pending appeal resubmitted to panel to add third judge. (mt)
5/12/93	[676613] Appellant's brief received but not filed by Digital Equipment. 5/24/93 for Digital Equipment A/Pet appendix due 5/24/93 for Digital Equipment (mt)
5/17/93	[677760] Procedurally Terminated After Other Judicial Action; Jurisdictional Defects. Motion for stay is denied. Logan, authoring judge; Anderson; Tacha. [93-4024] (lwb)
5/17/93	[677765] Mandate issued. (lwb)
5/27/93	[680609] Mandate receipt filed. (kc)
6/1/93	[681399] Petition for rehearing in banc [93-4024] filed by Digital Equipment. Original and 14 copies. c/s: y (jtp)
6/1/93	[681410] Document [681399-1] Petition for rehearing in banc filed by Appellant Digital Equipment submitted to panel. (jtp)

Date	Proceedings
6/16/93	[685683] Order filed by Judges McKay, Logan, Seymour, Moore, Anderson, Tacha, Baldock, Brorby, Ebel, Kelly denying Petition for rehearing in banc [681399-1] (mt)
9/20/93	[713371] Petition for writ of certiorari filed on 9/13/93 by Appellant Digital Equipment Corporation. Supreme Court Number 93-405. (mt)
10/12/93	[713470] copy of Supreme Court order granting the motion to stay the district court order filed. (kc)
11/5/93	[719402] Supreme Court order dated 11/1/93 granting certiorari filed. (kc)

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No. 93-405

IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,
v.
DESKTOP DIRECT, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

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BRIEF FOR PETITIONER

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QUESTION PRESENTED

Did the court below err in concluding, contrary to recent decisions of the Second, Fifth, and Eleventh Circuits with which the court below expressly disagreed, that a decision setting aside a settlement agreement is not immediately appealable, and that a defendant who bargained for dismissal of the suit and avoidance of trial as part of the settlement may instead appeal the decision setting aside the settlement only after trial?

PARTIES TO THE PROCEEDING

Petitioner Digital Equipment Corporation was defendant-appellant below; respondent Desktop Direct, Inc., was plaintiff-appellee. Petitioner's Rule 29.1 statement appears at Pet. ii.

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On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

BRIEF FOR PETITIONER

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Tenth Circuit is reported at 993 F.2d 755 and is reprinted in the appendix to the petition for certiorari ("Pet. App.") at 1a. The orders of the United States District Court for the District of Utah are unreported and are reprinted at Pet. App. 11a, 12a.

JURISDICTION

Respondent Desktop Direct, Inc. initiated this case by filing a complaint against petitioner Digital Equipment Corporation in the United States District Court for the District of Utah on February 28, 1992. Jurisdiction was based on 28 U.S.C. §§ 1331 & 1338 and 15 U.S.C. § 1121. The parties settled the litigation and on March 25, 1992, respondent filed a notice of dismissal with the

district court pursuant to Fed. R. Civ. P. 41(a)(i). On September 17, 1992, respondent filed a motion to withdraw its notice of dismissal and to rescind the Settlement Agreement. The district court granted that motion on January 5, 1993. Pet. App. 12a.

Petitioner filed a notice of appeal on February 4, 1993, basing jurisdiction on the collateral order doctrine, and sought a stay of the district court order on March 29, 1993. On May 17, 1993, the court of appeals dismissed the appeal and denied the stay. *Id.* at 10a. On June 16, 1993, the court of appeals denied petitioner's timely petition for rehearing and suggestion for rehearing in banc. *Id.* at 14a.

The petition for a writ of certiorari was filed on September 13, 1993, together with an application for a stay. On October 4, 1993, this Court granted the stay, 114 S. Ct. 295, and on November 1, 1993, granted the petition for certiorari. *Id.* at 379. The jurisdiction of this Court to review the judgment below is based on 28 U.S.C. § 1254(1).

PERTINENT STATUTORY PROVISION

Section 1291 of Title 28, United States Code, provides in pertinent part:

> The courts of appeals (other than the United States Court of Appeals for the Federal Circuit) shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court.

STATEMENT OF THE CASE

Respondent Desktop Direct, Inc. ("Desktop") filed suit against petitioner Digital Equipment Corporation ("Digital") on February 28, 1992, in the United States District Court for the District of Utah. The complaint alleged a

violation of the Lanham Act, 15 U.S.C. § 1125(a), and related violations of Utah statutory and common law. Prior to service of the complaint and before any discovery, extensive settlement discussions between the parties led to a settlement agreement on March 25, 1992.

The agreement specified that "[c]ontemporaneous with the execution of this Settlement Agreement, Desktop shall execute [a] Notice of Dismissal * * *. Desktop shall file the executed Notice of Dismissal within three (3) business days of the execution of this Settlement Agreement." S.A. ¶ 6; J.A. II 3-4.[1] Without admitting fault or liability, Digital agreed to pay Desktop a significant sum to acquire the trademarks in question, and 15 times that amount "for dismissal of the * * * lawsuit and a waiver of all damages allegedly caused by Digital's use of [the pertinent trademarks]." S.A. ¶ 8; J.A. II 4. The payment to Desktop was to be held in escrow until Desktop "confirms that a Notice of Dismissal * * * has been filed with the United States District Court for the District of Utah and dismissal has been effected." *Id.* Desktop filed the notice of dismissal the same day the agreement was executed.

Nearly six months later, on September 17, 1992, Desktop filed a motion in the district court requesting that the court vacate the dismissal and rescind the Settlement Agreement on grounds of fraud. Desktop explained that it had retained new attorneys and now believed that it had been induced to settle through Digital's alleged fraudulent misrepresentations of fact. Desktop claimed that, during settlement negotiations, Digital had led Desktop to believe that Digital had acted innocently and without knowledge in adopting the allegedly infringing trade-

[1] Pursuant to a confidentiality provision, the Settlement Agreement is in the record under seal. Citations to "S.A." are to the Settlement Agreement as it appears in the record. Parallel citations to "J.A. II" are to the sealed volume of the Joint Appendix containing the Settlement Agreement. Digital has filed a Motion for Leave to File Joint Appendix Under Seal in order that the sealed Agreement would be conveniently available for the Court.

mark. Desktop now asserted that such representations were untrue. Two weeks later, Desktop "correct[ed]" its motion. It acknowledged that "[t]o the extent that Plaintiff has asserted that [Digital] adopted the Desktop Direct name in a knowing manner, Plaintiff at this time has no direct proof." Supplemental Memorandum in Support of Motion of Plaintiff to Withdraw Notice of Dismissal, at 2. Desktop explained that any suggestions it had made that Digital knowingly adopted Desktop's trademark should be read to mean instead that Digital proceeded knowingly in using the trademark. *Id.*

On January 5, 1993, over Digital's opposition, the district court granted Desktop's motion to withdraw the dismissal and rescind the Settlement Agreement. The court "conclude[d] that a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." Pet. App. 13a. Digital filed a timely notice of appeal to the Court of Appeals for the Tenth Circuit on February 4, 1993.

On February 26, 1993, the court of appeals requested briefing on the question whether it had jurisdiction over Digital's appeal. Digital explained that the court had jurisdiction under the collateral order doctrine recognized in *Cohen* v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541 (1949), because the district court decision conclusively determined the disputed question, resolved an important issue completely separate from the merits of the action, and would be effectively unreviewable if Digital were required to wait until after the trial to appeal.

On March 29, 1993, Digital sought a stay from the court of appeals of litigation proceedings in the district court.[2] On May 17, 1993, the Tenth Circuit denied the stay and dismissed Digital's appeal, concluding that it lacked appellate jurisdiction. Pet. App. 1a.

[2] The district court had previously denied a stay on March 15, 1993. Pet. App. 11a.

The court of appeals began its analysis by acknowledging that the Second, Fifth, and Eleventh Circuits had held that district court orders of the sort at issue here were appealable under the collateral order doctrine. *Id.* at 3a. *See Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991); *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992). As the Tenth Circuit stated, however, "[w]ith due respect to our sister circuits, we disagree." Pet. App. 3a.

The court of appeals noted that "[t]o fall within the *Cohen* exception, an order must satisfy at least three conditions: It must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment." *Id.* (quoting *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 498 (1989)). The court of appeals agreed with Digital that the first requirement was met because the district court had rescinded the Settlement Agreement and withdrawn the notice of dismissal, conclusively determining that the revived case would go forward. Pet. App. 4a. The court further agreed that the complaint of misrepresentation during settlement was separate from the merits of Desktop's underlying trademark claim, relying on this Court's decision in *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985) (question of defendant's qualified immunity "conceptually distinct" from merits and appealable under collateral order doctrine). Pet. App. 4a-5a.

The Tenth Circuit, however, found "[t]he question of the 'importance' of the issue" to be "more difficult." *Id.* According to the court below, the "importance" issue was "intertwined with the third *Cohen* requirement that the issue be effectively unreviewable on appeal from a final judgment." *Id.* The court noted that "[o]nly by characterizing [Digital's] expectation that no trial will occur

after entering a settlement agreement as 'a right not to be tried' can we say that it is unreviewable after a final judgment." *Id.* The court did not then go on to consider whether the Settlement Agreement in fact conferred upon Digital a right not to be tried. Instead, applying its view that the "importance" and "effectively unreviewable" elements of the *Cohen* test were "intertwined," the Tenth Circuit ruled as a matter of law that rights conferred by private settlement contracts were not " 'important' enough to fall within the narrow confines of the *Cohen* doctrine." *Id.* at 6a, 10a. According to the court below, "encouragement of out-of-court settlements is desirable," but it is "too expansive a reading of the 'right not to go to trial' in the context of the *Cohen* doctrine" to base that right on a settlement agreement. *Id.* at 6a, 9a.

Digital filed a timely petition for rehearing and suggestion for rehearing in banc, which were denied on June 16, 1993. *Id.* at 14a. On September 13, 1993, Digital filed a petition for a writ of certiorari, together with an application for a stay. Justice Thomas referred the stay application to the Court, which granted the stay on October 4, 1993. 114 S. Ct. 295. The petition was granted on November 1, 1993. *Id.* at 379.

SUMMARY OF ARGUMENT

Section 1291 of the Judicial Code, 28 U.S.C. § 1291, provides that the courts of appeals shall have jurisdiction over appeals from final decisions of the district courts. This Court has interpreted Section 1291 to permit appeal of certain district court orders that do not terminate proceedings in the district court, but are nonetheless considered "final" for purposes of the statute. Such orders are appealable under the collateral order or *Cohen* doctrine if they "conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and [are] effectively unreviewable on appeal from a final judgment." *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 468 (1978).

The Tenth Circuit below correctly decided that the district court order rescinding the Settlement Agreement and reinstating the litigation conclusively determined the question of Digital's right to avoid trial on Desktop's claims. Pet. App. 4a. The court of appeals also correctly decided that the issue of the validity of the Settlement Agreement was completely separate from the underlying merits of Desktop's trademark claims. *Id.* at 4a-5a. The court below erred, however, in both its approach and conclusion, in deciding that Digital's right to avoid trial should not be deemed such a right "in the context of the *Cohen* doctrine," because it was not "important enough." *Id.* at 8a-9a.

Whether the right at issue is a right to avoid litigation and whether that right is "important enough" are distinct questions that should be analyzed separately. Here it is clear that the right Digital seeks to vindicate on appeal is the right to avoid litigation. The Settlement Agreement was expressly conditioned on dismissal of Desktop's pending suit, and conferred on Digital not only a defense in future litigation but an immunity from suit on Desktop's claims. Because the right at issue is a right to avoid trial, it will be irretrievably lost if Digital must await the end of trial to appeal the district court's denial of that right. Digital's right is therefore a right to avoid trial that is "effectively unreviewable on appeal from a final judgment," *Coopers & Lybrand*, 437 U.S. at 468—"the heart of the issue" under the collateral order doctrine. *Mitchell* v. *Forsyth*, 472 U.S. at 525.

The Tenth Circuit below nonetheless refused to find appealability under *Cohen* because of its view that rights to avoid litigation secured by settlement agreements are not " 'important' enough", and that allowing interlocutory appeal of such orders does not serve a "compelling public policy." Pet. App. 6a. The court was wrong in its policy assessment. This Court, other courts, and Congress have long recognized the critical role that settlements play in

the administration of justice in the federal courts. The right to avoid trial is the key consideration provided by a plaintiff in a settlement agreement. If that right cannot be vindicated until after the trial has taken place, the binding and final effect of settlement agreements will be seriously eroded.

Quite apart from the foregoing, the Tenth Circuit erred in undertaking its broad "public policy" inquiry in the first place. The issue, after all, is interpretation of 28 U.S.C. § 1291, and while this Court has adopted a "practical" construction of that provision, *Cohen,* 337 U.S. at 546, it has never arrogated to itself the authority to decide what types of cases may be appealed as a matter of "public policy" and what types may not. That is plainly a legislative determination for Congress. Instead, this Court has developed and applied a more focused test, looking to the central concern of Section 1291—finality—by inquiring whether the district court has made a conclusive determination, separate from the merits, of an issue effectively unreviewable after trial. The various formulations of this test have, to be sure, indicated that the issue should be "important" in some sense, but the Court has never viewed "importance" in the broad public policy sense embraced by the Tenth Circuit, and could not do so without contravening basic notions of the proper roles of Congress and the Federal Courts in defining jurisdiction.

In fact, in more recent cases, the Court has explained that "the heart of the issue" under the collateral order doctrine is whether the right in question is "an entitlement not to stand trial under certain circumstances." *Mitchell* v. *Forsyth,* 472 U.S. at 525. Since *Mitchell,* every case in which this Court has upheld appealability under *Cohen* has involved a right not to go to trial. And in every case since *Mitchell* denying appealability, the right at issue was *not* a right to avoid trial. That inquiry—and not some roving public policy judgment on which types of cases are "important enough" to be appealed and which are not—

is the proper inquiry under this Court's practical construction of Section 1291.

The source of the particular right to avoid litigation has no logical pertinence to an assessment of the finality of a decision under *Cohen* and Section 1291. This Court has found appealability of interlocutory orders where the right at issue was based on the Constitution, federal statute, state statute, rules of procedure, or common law. Digital's right under the Settlement Agreement is a legally enforceable right. Nothing in Section 1291—the statutory source of the collateral order doctrine—provides any basis for determining that certain types of rights to avoid trial may be vindicated on appeal under *Cohen* while other types may not.

ARGUMENT

AN ORDER SETTING ASIDE A SETTLEMENT AGREEMENT AND REINSTATING LITIGATION IS IMMEDIATELY APPEALABLE UNDER THE COLLATERAL ORDER DOCTRINE

This Court has long recognized that a district court order, although not resolving all issues in the litigation, may be appealed under the authority of 28 U.S.C. § 1291 when it "finally determine[s] claims of right separable from, and collateral to, rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated." *Cohen* v. *Beneficial Indus. Loan Corp.,* 337 U.S. at 546. Indeed, by the time *Cohen* was decided in 1949, Justice Jackson, writing for the Court, was able to observe that "[t]he Court has long given [Section 1291] [a] practical rather than a technical construction."[3] As he would later ob-

[3] *Cohen,* 337 U.S. at 546 (citing *Bank of Columbia* v. *Sweeny,* 26 U.S. (1 Pet.) 567, 569 (1828); *United States* v. *River Rouge Improvement Co.,* 269 U.S. 411, 414 (1926); *Cobbledick* v. *United States,* 309 U.S. 323, 328 (1940)). *See also Firestone Tire & Rubber*

serve, "[i]t is a final *decision* that Congress has made reviewable" in Section 1291, not final *judgments*. "While a final judgment is nearly always a final decision, there are instances in which a final decision is not a final judgment." *Stack* v. *Boyle*, 342 U.S. 1, 12 (1951) (Jackson, J., concurring).

Cohen permitted the collateral appeal of a district court order refusing to apply a New Jersey statute requiring that plaintiffs in a stockholder derivative action post security for fees and expenses for which they would be liable if they lost. Later cases applying *Cohen* permitted immediate appeal of orders refusing to reduce excessive bail, *Stack* v. *Boyle*, *supra*, limiting a suit to Jones Act claims and denying the right of certain parties to pursue recovery, *Gillespie* v. *United States Steel Corp.*, 379 U.S. 148 (1964), allocating notice costs in a class action, *Eisen* v. *Carlisle & Jacquelin*, 417 U.S. 156 (1974), and denying a motion to dismiss on double jeopardy grounds, *Abney* v. *United States*, 431 U.S. 651 (1977).

More recently, the Court has determined the appealability of collateral orders by using a three-part test based on its early opinions and articulated in *Coopers & Lybrand* v. *Livesay*: "To come within the 'small class' of decisions excepted from the final-judgment rule by *Cohen*, the order must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment." 437 U.S. at 468. Under this test, the Court has determined that it is appropriate to review on a collateral basis orders rejecting a defense under the Speech or Debate Clause, *Helstoski* v. *Meanor*, 442 U.S. 500 (1979), granting a stay of federal litigation under the doctrine of *Colorado River Water*

Co. v. *Risjord*, 449 U.S. 368, 375 (1981) (citing *River Rouge*; *Bronson* v. *Railroad Co.*, 67 U.S. (2 Black) 524, 530-531 (1863); *Forgay* v. *Conrad*, 47 U.S. (6 How.) 201, 203 (1848); *Whiting* v. *Bank of the United States*, 38 U.S. (13 Pet.) 6, 15 (1839)).

Conservation District v. *United States*, 424 U.S. 800 (1976), *Moses H. Cone Memorial Hosp.* v. *Mercury Construction Corp.*, 460 U.S. 1 (1983), denying a former public official qualified immunity, *Mitchell* v. *Forsyth*, 472 U.S. 511, 524-530 (1985), and denying a motion to dismiss a lawsuit on Eleventh Amendment grounds. *Puerto Rico Aqueduct & Sewer Authority* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993).

The Tenth Circuit below recognized that the district court's decision conclusively resolved the disputed question,[4] and that the question was completely separate from the merits of the action.[5] This case presents the question

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[4] The court of appeals found that the district court's decision setting aside the Settlement Agreement—although "somewhat cryptic" in its reasoning—was nevertheless " 'the final word on the subject addressed.' " Pet. App. 4a (quoting *Moses H. Cone Memorial Hosp.* v. *Mercury Construction Corp.*, 460 U.S. at 12-13 n.14). The district court granted Desktop's motion to withdraw the notice of dismissal and to rescind the Settlement Agreement; having done so, it conclusively revived—so far as the district court was concerned—the suit that had been extinguished by the Settlement Agreement. Pet. App. 12a-13a. At that point, because " '[t]here are simply no further steps that can be taken in the District Court to avoid the trial the defendant maintains is barred,' it is apparent that '*Cohen*'s threshold requirement of a fully consummated decision is satisfied' * * *." *Mitchell* v. *Forsyth*, 472 U.S. at 527 (quoting *Abney* v. *United States*, 431 U.S. at 659).

[5] The Tenth Circuit found that Desktop's effort to rescind the Settlement Agreement was separate from the merits of the action because "the complaint of misrepresentation during settlement negotiations is 'conceptually distinct' from the trademark violation charges." Pet. App. 4a-5a. The issue Digital seeks to appeal therefore does not involve "considerations that are 'enmeshed in the factual and legal issues comprising' " Desktop's trademark claim. *Coopers & Lybrand* v. *Livesay*, 437 U.S. at 469 (quoting *Mercantile National Bank* v. *Langdeau*, 371 U.S. 555, 558 (1963)). Desktop presumably believed its underlying claim existed long before any settlement discussions took place, when it filed its initial complaint. Whatever Digital said or did not say during settlement negotiations

whether orders setting aside fully executed settlement agreements, and thereby reviving litigation that had been dismissed with prejudice, meet the additional requirements established by this Court to be among the class of orders that can be appealed immediately. As the Second, Fifth, and Eleventh Circuits have recognized, the answer is yes. The collateral order doctrine permits immediate appeal of an order voiding a settlement agreement that terminated litigation between the parties and secured for the defendant the right not to face trial. The Tenth Circuit's contrary decision rests on a misapplication of this Court's decisions and should be reversed.

A. The District Court's Order Rejecting Digital's Right Not To Go To Trial Is Unreviewable After Trial

By their very nature, settlement agreements secure for a defendant the right not to face trial on claims brought by the plaintiff. *See United States* v. *Armour & Co.*, 402 U.S. 673, 681 (1971) (Through settlement "[t]he parties waive their right to litigate the issues involved in the case and thus save themselves the time, expense, and inevitable risk of litigation"). In the typical settlement—such as the one at issue here—a defendant pays the plaintiff an agreed sum in return for the plaintiff's dismissal of a pending lawsuit and agreement to forego further litigation of asserted claims. Because an "essential aspect of the claim" presented by Digital under the Settlement Agreement is therefore "the right to be free of the burdens of trial," *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 525

simply has no bearing on the validity of the prior allegations in Desktop's complaint.

A party claiming it would not have settled on the terms agreed to had it known certain additional facts, and that some alleged misrepresentation meets the stringent legal standard for upsetting settlements, has not—even if successful in setting aside the settlement agreement—established its entitlement to prevail on its underlying claim. In the class of cases at issue here, the issues on appeal will be separate from the merits of the underlying dispute.

(1988), the district court's decision rejecting that claim is "effectively unreviewable on appeal from a final judgment." *Coopers & Lybrand* v. *Livesay*, 437 U.S. at 468.

In this case, there can be no doubt that Digital entered into the Settlement Agreement to avoid the costs and burdens of preparing for and going to trial. The agreement, of course, specifically obligated Desktop to execute and file a notice of dismissal, S.A. ¶ 6; J.A. II 3-4, and conditioned the payment of funds on notification that "dismissal has been effected." S.A. ¶ 8; J.A. II 4. Desktop itself has recognized that "[i]n the settlement agreement * * *, one of the principal items of consideration was the agreement by Plaintiff to file a Notice of Dismissal." Memorandum in Support of Motion of Plaintiff to Withdraw Notice of Dismissal, at 19. Indeed, the parties agreed that some 94 percent of the settlement amount was paid to Desktop "for the dismissal of the * * * lawsuit and a waiver of all damages * * *." S.A. ¶ 8; J.A. II 4. The agreement was entered into prior to service of the complaint and before any costly and time-consuming discovery, precisely because it was intended to avoid the burdens of trial and preparation for trial.

But only an ill-advised defendant would agree to settle a claim based on a promise simply to *end* litigation. Instead, defendants regularly insist that agreements to settle litigation protect against the possibility of future litigation; there is very little value in a settlement that does not secure this relief for a defendant. Such relief was plainly part of the bargain between Digital and Desktop. The agreed-upon notice of dismissal specified that the dismissal was "with prejudice" to the filing of a new action,[6] and the Settlement Agreement contained a release typical

[6] *See* 5 J. Moore, J. Lucas & J. Wicker, *Moore's Federal Practice*, ¶ 41.05[2], at 41-71 (1993) (dismissal with prejudice "operates to *bar another action* on the claim that was dismissed with prejudice") (emphasis added).

in its sweeping language, scope, and effect.[7] The release specified that Digital and Desktop "hereby fully and forever remise, release and discharge the other * * * from any and all claims, * * * actions, suits, causes of action, * * * of whatsoever kind or nature, in law, equity or otherwise." S.A. ¶ 7; J.A. II 4. This language establishes that the right to avoid future litigation was an explicit and essential element of the agreement between Digital and Desktop.

Without quite endorsing the argument itself, Desktop has suggested that "[i]t can be argued" that the Settlement Agreement "merely provides a defense to liability rather than creates a 'right not to go to trial.'" Opp. 4 n.4. That suggestion is plainly refuted by the operative language of the agreement. The agreement does provide a release from "any and all * * * liabilities" in connection with Digital's alleged use of the Desktop trademark, but it does more—it also provides a release from "any and all claims, * * * actions, *suits*, causes of action, * * * of whatsoever kind or nature, in law, equity or otherwise." S.A. ¶ 7; J.A. II 4 (emphasis added). This

[7] The release provided:

> Desktop and Digital, for and on behalf of themselves, and their predecessors, successors, and assigns, hereby *fully and forever remise, release and discharge* the other, and each and all of its subsidiary and affiliated corporations, companies and divisions, their predecessors, successors and assigns, and their respective directors, stockholders, officers, employees and agents of, and *from any and all claims*, demands, agreements, covenants, *actions, suits, causes of action*, obligations, controversies, costs, expenses, accounts, damages, judgments, losses and liabilities, of whatsoever kind or nature, *in law, equity or otherwise*, whether known or unknown, whether or not concealed or hidden, which against them or any of them it has had, may have had, or now has, or which any of its predecessors, successors, or assigns hereafter can, shall or may have for or by reason of Desktop's use of DESKTOP DIRECT alone or in any combination and Digital's use of DESKTOP DIRECT from DIGITAL alone or in any combination. [S.A. ¶ 7; J.A. II 4 (emphasis added).]

additional language would be wholly unnecessary if the agreement did not secure a right to avoid trial; a simple release from all claims or liabilities would suffice if Digital were only seeking a valid defense in future litigation. But Digital demanded and received the legally enforceable right not to face future litigation, and it is that right that it seeks to vindicate by its appeal under the *Cohen* doctrine.

Under this Court's decisions applying *Cohen*, this characteristic of the claim Digital raises here—the right not to face trial—is "the heart of the issue." *Mitchell* v. *Forsyth*, 472 U.S. at 525. When considering the appealability of a decision prior to final judgment, this Court focuses on whether the right sought to be vindicated "is in fact an entitlement not to stand trial under certain circumstances." *Id.* *See also Midland Asphalt Corp.* v. *United States*, 489 U.S. at 801 (1989); *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. at 498-499, 501; *Van Cauwenberghe* v. *Biard*, 486 U.S. at 524. As this Court explained in *Lauro Lines*, a claim that involves an "entitlement to avoid suit is different in kind" from other claims the Court has found not immediately appealable. 490 U.S. at 501.

The distinction is grounded in the purpose served by the general rule of finality. As the Court explained in *Cohen*, 337 U.S. at 546, "[t]he purpose [of the finality requirement] is to combine in one review all stages of the proceeding that effectively may be reviewed and corrected if and when final judgment results." In cases where "an essential aspect of the claim is the right to be free from the burdens of trial," *Van Cauwenberghe*, 486 U.S. at 525, the matter may *not* be effectively reviewed after final judgment, because the right is "essentially destroyed if its vindication must be postponed until trial is completed." *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. at 495. *See Midland Asphalt Corp.* v. *United States*, 489 U.S. at 800-801 ("It is true that deprivation of the right not

to be tried satisfies the *Coopers & Lybrand* requirement of being 'effectively unreviewable on appeal from a final judgment' "). But where the claim is simply that the putative appellant has a right to prevail or a right to certain attributes of trial that is being restricted or denied by the district court's decision, those rights can be effectively, if not completely, vindicated after final judgment.

Thus, for example, a district court order rejecting a claim that the Double Jeopardy Clause precludes trial is immediately appealable even though it is interlocutory, because the double jeopardy claim is a claim to be free from a second trial, not simply a claim that the defendant cannot be convicted. Requiring that a defendant await a final judgment to raise the double jeopardy claim would protect the defendant against a second conviction, but would not vindicate his interest in avoiding "the personal strain, public embarrassment, and expense of a criminal trial more than once for the same offense." *Abney* v. *United States*, 431 U.S. at 661.

By the same token, a district court order rejecting a claim of qualified immunity from suit is also immediately appealable under *Cohen*. Requiring a public official to await a final judgment to appeal such an order would protect the official's interest in not being found liable for good faith acts within the scope of his official responsibility, but not his interest in avoiding the burdens of trial itself—an interest at the heart of the claim of immunity. *See Mitchell* v. *Forsyth*, 472 U.S. at 526. That interest is "effectively lost if a case is erroneously permitted to go to trial," *id.*, and accordingly an interlocutory appeal is permitted. *Id.* at 526-527. *See also Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982).

Most recently, the Court held that a district court order denying an agency's motion to dismiss a lawsuit on Eleventh Amendment grounds was immediately appealable under the collateral order doctrine. *Puerto Rico Aqueduct & Sewer Authority* v. *Metcalf & Eddy, Inc.*, *supra*.

The Court analogized such a case to the public official's immunity in *Mitchell*, noting that the claimed right was effectively unreviewable on appeal from a final judgment, because "the value to the States of their Eleventh Amendment immunity * * * is for the most part lost as litigation proceeds past motion practice." 113 S. Ct. at 688.

The same analysis applies here. Although the court of appeals could rule in Digital's favor on the settlement issue after trial—just as an appellate court could rule in favor of a defendant on a double jeopardy claim or a public official or state on an immunity claim after trial—such a ruling would not vindicate Digital's right under the agreement to avoid trial. Digital's claim is therefore "effectively unreviewable on appeal from a final judgment." *Coopers & Lybrand*, 437 U.S. at 468.[8]

In contrast, in several leading cases in which this Court has concluded that a district court order was not appealable under *Cohen*, it has been because the Court found that the right sought to be vindicated on appeal was not a right to avoid trial. For example, in *Midland Asphalt*, the Court determined that a district court order denying a motion to dismiss an indictment because of a violation of Fed. R. Crim. P. 6(e)(2)—which prohibits disclosure by government attorneys of grand jury matters—was not appealable under *Cohen*. The Court explained that nothing in Rule 6(e) suggests that it conferred a right to avoid trial. 489 U.S. at 802. *See also Flanagan* v. *United States*, 465 U.S. 259, 266-267 (1984) (denying appeal-

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[8] Desktop's only answer in its Opposition to the point that failure to allow immediate appeal would irreparably deprive Digital of its right to avoid trial was the glib one that Digital could avoid trial by defaulting. Opp. at 6. This argument proves far too much, for it would defeat the collateral order doctrine in all circumstances. The same argument could have been made with respect to the defendant with a double jeopardy claim, the public official with a qualified immunity claim, or a state agency with an Eleventh Amendment immunity claim—all situations in which this Court has upheld appeals under the collateral order doctrine.

ability under *Cohen* because "it cannot be said that the right petitioners assert * * * is a right not to be tried"). Here, in contrast, the "essence" of Digital's right under the Settlement Agreement was the right to avoid trial. The *Midland* Court found nothing in "[t]he text" of Rule 6(e) to indicate that it conferred a right to avoid trial, 489 U.S. at 802, but here the text of the Settlement Agreement plainly states that avoidance of trial is precisely what Digital bargained and paid for.

United States v. *MacDonald*, 435 U.S. 850 (1978), held that denial of a motion to dismiss on speedy trial grounds was not appealable under *Cohen*. The Court reasoned that it was "the delay before trial, not the trial itself, that offends against the constitutional guarantee of a speedy trial," and that therefore the speedy trial right was not a right to avoid trial. "Proceeding with the trial does not cause or compound the deprivation already suffered." *Id.* at 861. Again, the opposite is true here. Digital's bargained-for right is the right not to be required to go to trial on Desktop's complaint—a right that will be lost if Digital must go to trial before it can appeal.[9]

[9] In relying on *Midland Asphalt* and *MacDonald*, the court below failed to appreciate two key distinctions noted several times by this Court. First, *Midland Asphalt* and *MacDonald* were criminal cases, and this Court has been particularly reluctant to apply the collateral order doctrine in the criminal context. As the Court explained in *MacDonald*, "[t]he rule of finality has particular force in criminal prosecutions because 'encouragement of delay is fatal to the vindication of the criminal law.'" 435 U.S. at 853-854 (quoting *Cobbledick* v. *United States*, 309 U.S. 323, 325 (1940)). *See also Midland Asphalt*, 489 U.S. at 799 ("We have interpreted the collateral order exception 'with the utmost strictness' in criminal cases") (quoting *Flanagan* v. *United States*, 465 U.S. 259, 265 (1984)); *Abney* v. *United States*, 431 U.S. at 657. The Tenth Circuit below noted that *Midland Asphalt* and *MacDonald* were criminal cases, but then stated that they demonstrated "the strict reading of the 'right not to go to trial' necessary *in cases like this one*," App. 9a (emphasis added), without any mention of the significance of the criminal/civil distinction noted in both the *Midland Asphalt* and *MacDonald* opinions themselves. Second, and more significantly, the court below failed to recognize that the Court's holdings in *Midland Asphalt* and *MacDonald* were that those cases did not involve the "right not to go to trial" at all, while this case indisputably does.

The Tenth Circuit also erred in relying on this Court's decision in *Van Cauwenberghe* v. *Biard*, *supra*. In that case this Court held that the collateral order doctrine did not extend to a district court order denying a motion to dismiss on the ground of specialty under an extradition treaty. The Supreme Court explained that the principle of specialty was basically a matter of treaty obligation between two sovereigns, rather than conferral of a right on the individual to be free from civil trial. 486 U.S. at 525. Significantly, the Court noted that its decision was based on "the absence of an explicit agreement obligating the United States to protect the extradited person from the burdens of a civil suit." *Id.* & n.4. Here, of course, there *was* an explicit agreement between the contracting parties to protect Digital "from the burdens of a civil suit." That was the essence of the Settlement Agreement.[10]

Perhaps the most surprising error of the court below was its reliance on this Court's decision in *Lauro Lines*. There the Court held that a district court order refusing to dismiss a suit on the ground that it violated a forum-selection provision was not immediately appealable under the collateral order doctrine. 490 U.S. at 501. The Tenth Circuit below stated that "[w]e do not see how a private settlement contract is significantly different from the contracted forum selection clause the Supreme Court refused to enforce through interlocutory appeal in *Lauro Lines*."

[10] The Court in *Van Cauwenberghe* also held that denial of a motion to dismiss on *forum non conveniens* grounds was not appealable under the collateral order doctrine. 486 U.S. at 527-530. The Court reasoned that the *forum non conveniens* issue was not "completely separate from the merits of the action." *See id.* at 527 (quoting *Coopers & Lybrand*, 437 U.S. at 468). The Tenth Circuit correctly found that requirement satisfied in the present case. Pet. App. 4a-5a; *see supra* at 11-12 n.5.

Pet. App. 10a. *See also Transtech Indus., Inc.* v. *A & Z Septic Clean*, 5 F.3d 51, 58 (3d Cir. 1993). This Court itself, however, recognized the key distinction in its opinion, explaining that "an entitlement to avoid suit is different in kind from an entitlement to be sued only in a particular forum." 490 U.S. at 501. Here Digital's entitlement under the Settlement Agreement is "to avoid suit"—an entitlement "different in kind" from that considered in *Lauro Lines*. *See Janneh* v. *GAF Corp.*, 887 F.2d at 436 (distinguishing *Lauro Lines* on that basis).

The court below noted this Court's admonition "not to play word games with the concept of a right not to be tried." Pet. App. 9a (quoting *Midland Asphalt*, 489 U.S. at 801). The concern is that any right not to be convicted or found liable could be characterized as a "right not to be tried," extending the collateral order exception beyond reasonable bounds. Thus, for example, a defendant with a valid defense to a tort claim could contend that he has a right not to be tried on that claim—because he is innocent of the charge—and that he should therefore be able to appeal an interlocutory order rejecting the defense. That is plainly not the case here. As explained above, Digital's right under the express terms of the Settlement Agreement is not simply a defense to liability, but a right not to be tried at all—a right that will be irretrievably lost if Digital must wait until after trial to appeal.

The Second, Fifth, and Eleventh Circuits have recognized that settlement agreements typically secure a right to avoid trial. Accordingly, those courts have held that district court orders vacating such agreements and allowing litigation to proceed are effectively unreviewable on appeal from a judgment after trial. *See Janneh* v. *GAF Corp.*, 887 F.2d at 436 (defendant "bargained for and obtained the right to avoid a trial by agreeing to a settlement"); *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d at 220 ("The essence of the claimed right is the right not to go to trial at all"); *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d at 1040 ("The essence of [the employer's] claim

* * * is that it contracted for the right to avoid being sued by [its employees]"). *See also Chaput* v. *Unisys Corp.*, 964 F.2d 1299, 1301 (2d Cir. 1992) (explaining that ground on which orders refusing to enforce agreements not to litigate are appealable "is analogous to that applied to claims of double jeopardy or qualified immunity. * * * In those cases, the claim asserted is not only a defense to liability but also an immunity from trial").

Digital bargained for and secured an explicit agreement that it would not face trial on Desktop's claims. It is that right Digital seeks to vindicate by appealing *before* the very trial it bargained to avoid has taken place. As in *Cohen*, when final judgment is issued after trial on the merits, "it will be too late effectively to review the present order," and the rights conferred by the Settlement Agreement "will have been lost * * *." 337 U.S. at 546.

B. The Right Not To Go To Trial Under A Settlement Agreement Is Important Enough To Support Appeal Under *Cohen*

The Tenth Circuit did not disagree with the proposition that the Settlement Agreement, as a matter of fact, conferred on Digital the right to avoid litigation on Desktop's claims. Indeed, the court below acknowledged Digital's expectation under the Settlement Agreement "that no trial will occur." Pet. App. 5a. The court nonetheless ruled that Digital's right under the settlement should not be deemed a " 'right not to go to trial' in the context of the *Cohen* doctrine," *id.* at 9a, because the right was not " 'important' enough to fall within the narrow confines of the *Cohen* doctrine." *Id.* at 6a.

The Tenth Circuit consciously "intertwined" the question whether Digital's claimed right was effectively unreviewable with the question of its "importance," *id.* at 5a, but the two issues are distinct and should be analyzed separately. The Settlement Agreement either did or did not confer a right to avoid litigation; how "important" a particular court may regard that right cannot alter that

determination. If a court, as the Tenth Circuit did here, declines to allow appeal under *Cohen* because the right to avoid litigation is in its view not "important enough," it only obfuscates the basis for decision for the court then to conclude that the right at issue is therefore not a right to avoid litigation at all "in the context of the *Cohen* doctrine." *Id.* at 9a.

The point is significant because, as noted, this Court has repeatedly focused on whether the right in question is in fact a right not to stand trial as "the heart of the issue" under *Cohen*. *Mitchell* v. *Forsyth*, 472 U.S. at 525. A decision not to apply *Cohen* because the right is not "important enough" must stand or fall on that ground, and cannot be reconciled with this Court's precedents simply by the *ipse dixit* of characterizing an "unimportant" right to avoid litigation as in fact not a right to avoid litigation after all. Having established in Part A that what is at issue here is a right to avoid litigation that would be irretrievably lost if Digital had to await the end of litigation to vindicate that right, we turn now to the Tenth Circuit's conclusion that this right was not "important enough" to come within the jurisdiction of the court of appeals under *Cohen*.

1. *Permitting Immediate Appeal Of Decisions Declining To Enforce Agreements Not To Litigate Serves Compelling Public Policies*

The Tenth Circuit seriously erred in judging the importance of the public policy that would be vindicated by permitting appeal here. From early pronouncements to the current day, this Court has repeatedly, and in a variety of contexts, affirmed the strong public policy supporting the negotiated resolution of disputes. "[S]ettlements of matters in litigation, or in dispute, without recourse to litigation, are generally favored." *St. Louis Min. & Mill. Co.* v. *Montana Mining Co.*, 171 U.S. 650, 656 (1898). *See Williams* v. *First National Bank*, 216 U.S. 582, 595 (1910) ("Compromises of disputed claims are favored by the courts"). Thus, where the parties have negotiated and compromised a disputed claim, "such a settlement ought not to be overthrown, even if the court should now be of the opinion that the party complaining of it surrendered rights that the law, if appealed to, would have sustained." *Hennessy* v. *Bacon*, 137 U.S. 78, 85 (1890).

Indeed, as the Court recently noted, "[a] settlement is not irrational simply because it turns out *in retrospect* to have been a bad settlement." *Airline Pilots Ass'n Int'l* v. *O'Neill*, 499 U.S. 65, 79 (1991). The Court has further warned against judicial second-guessing of the "legal climate that confronted the negotiators at the time the decision was made," *id.* at 78, and has reversed decisions where the lower courts failed to give proper weight to the "strong policy" favoring the non-judicial settlement of disputes. *Id. Cf. Carson* v. *American Brands, Inc.*, 450 U.S. 79, 89 (1981) (holding that the district court's refusal to approve a consent decree deprived the parties of the "benefits of the settlement agreement they negotiated").

Prior to the decision of the Tenth Circuit below, the courts of appeals had uniformly recognized the overwhelming importance of settlement agreements to our judicial system. As Judge Friendly noted, "[t]here are weighty justifications, such as the reduction of litigation and related expenses, for the general policy favoring the settlement of litigation." *Weinberger* v. *Kendrick*, 698 F.2d 61, 73 (2d Cir. 1982), *cert. denied*, 464 U.S. 818 (1983). *See, e.g., Janneh*, 887 F.2d at 435 ("bargained-for right to avoid trial by enforcing [a] settlement agreement * * * implicates our nation's strong judicial and public policies favoring out-of-court settlement"); *American Sec. Vanlines, Inc.* v. *Gallagher*, 782 F.2d 1056, 1060 (D.C. Cir. 1986) ("[f]ew public policies are as well established as the principle that courts should favor voluntary settlements of litigation by the parties to a dispute") (quoting district court decision); *Hemstreet* v. *Spiegel, Inc.*, 851 F.2d 348, 350 (Fed. Cir. 1988) ("The law strongly favors settlement of litigation, and there is a com-

pelling public interest and policy in upholding and enforcing settlement agreements voluntarily entered into").[11]

As the *Janneh* court summed up:

> Litigants, courts, and Congress view settlement as a positive force, indispensable to judicial administration. Foregoing formal courtroom procedures, including discovery, trial, briefs and arguments, brings substantial benefits to the parties. The costs of litigation are reduced and crowded dockets are relieved. [887 F.2d at 435].

The importance of settlement to the judicial process has increased as dockets have become more crowded. Between 1958 and 1988, the number of cases filed in the federal district courts tripled. *See Report of the Federal Courts Study Committee* 5 (1990). During roughly the same period, from 1940 to 1985, the percentage of cases reaching trial in the federal courts dropped from about 15 percent to about 5 percent. *See* Galanter, *The Day After the Litigation Explosion*, 46 Md. L. Rev. 3, 8 (1986). Settlement plainly accounts for a great number of the cases terminated prior to trial in the federal courts. The strong public policy in favor of settlement is grounded in the reality that even a modest increase in the number of cases going to trial would strain already over-burdened judicial resources and further frustrate dispute resolution.

The public policy in favor of settlements is reflected in rules designed to encourage settlement agreements. Federal Rule of Civil Procedure 68, concerning offers of

[11] The courts of appeals have repeated this assessment on numerous occasions. *See, e.g., Justine Realty Co.* v. *American Nat'l Can Co.*, 976 F.2d 385, 391 (8th Cir. 1992) ("Settlement agreements are generally encouraged and favored by the courts"); *In re Smith*, 926 F.2d 1027, 1029 (11th Cir. 1991) ("Settlement is generally favored because it conserves scarce judicial resources"); *Bass* v. *Phoenix Seadrill/78, Ltd.*, 749 F.2d 1154, 1164 (5th Cir. 1985) ("public policy favors voluntary settlements which obviate the need for expensive and time-consuming litigation").

judgment, is expressly designed "to encourage settlement and avoid protracted litigation." Advisory Committee Note to 1946 Amendment to Rule 68. *See Marek* v. *Chesny*, 473 U.S. 1, 5 (1985) ("The plain purpose of Rule 68 is to encourage settlements and avoid litigation"). The strong public policy in favor of settlement underlies Federal Rule of Evidence 408, regarding admissibility of offers to settle litigation. *See* S. Rep. No. 1277, 93d Cong., 2d Sess. 10 (1974) ("The purpose of this rule is to encourage settlements which would be discouraged if such evidence were admissible"). In passing the Civil Justice Reform Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089 (1990) (codified at 28 U.S.C. §§ 471-482), Congress encouraged federal district courts to examine the advisability of mechanisms to facilitate settlement. It required each court, in formulating a "civil justice expense and delay reduction plan," to consider increased use of settlement conferences and alternative dispute resolution procedures. *See, e.g.*, 28 U.S.C. § 473(a)(3)(A), (b)(2) & (b)(4).

Settlement not only serves to reduce crowded dockets and minimize litigation costs, but also to permit the ordering of business and personal relationships with a confidence that past disputes, once settled, will remain in a state of repose. Courts have recognized their "obligation to enforce settlement agreements and foster the repose of settled litigation." *Interspiro USA, Inc.* v. *Figgie International, Inc.*, 815 F. Supp. 1488, 1521 (D.Del. 1993).

The value of settlements to litigants and the judicial system depends, of course, on their binding effect. There would be "absolutely no incentive to settle with the plaintiff [where] a settlement would be accompanied by no repose." *In re National Smelting of New Jersey, Inc.*, 722 F.Supp. 152, 178 (D.N.J. 1989). For this reason, courts have routinely refused to reopen cases that have settled except in extraordinary circumstances. Settlement agreements are contractual arrangements to avoid litigation. As such, "a litigant can no more repudiate a compromise

agreement than he could disown any other binding contractual relationship." *Dacanay* v. *Mendoza*, 573 F.2d 1075, 1078 (9th Cir. 1978). *Accord Bostick Foundry Co.* v. *Lindberg*, 797 F.2d 280, 283 (6th Cir. 1986) ("Once concluded, a settlement agreement is as binding, conclusive and final as if it had been incorporated into a judgment and the actual merits of the antecedent claims will not thereafter be examined"), *cert. denied*, 479 U.S. 1066 (1987). In short, public policy favors *binding* and *final* settlement agreements.

The strong policy underlying the enforceability of agreements not to litigate would be completely undermined if enforcement had to await the end of the very litigation sought to be avoided. Society's interest in settlement therefore counsels strongly in favor of allowing immediate appeal of decisions not to enforce settlement agreements. Allowing such appeals is fully consistent with the policies underlying the finality rule of 28 U.S.C. § 1291. Those policies include the avoidance of piecemeal litigation, efficient utilization of judicial resources, and prevention of delay in the ultimate disposition of a dispute. When the right sought to be vindicated on interlocutory appeal is the right not to be tried at all—rather than merely a defense on the merits or a claim to certain attributes of a trial—allowing appeal complements rather than conflicts with those policies. As the Second Circuit noted in *Janneh*, if interlocutory review were denied in such cases, the appellate courts would lose the "opportunity to review an order whose main effect is to keep alive litigation that arguably has been settled—thereby increasing the burden on the system as a whole." 887 F.2d at 433. The Tenth Circuit's rule will also encourage plaintiffs to seek to reopen settlement agreements more frequently, for they will sometimes regain the benefit of a litigation threat through erroneous district court decisions setting aside settlement agreements, decisions that will not be subject to review until the threat has served its purpose.

This case is a good example of the importance of permitting appeal under the collateral order doctrine of district court orders failing to enforce agreements not to litigate. The district court plainly applied the wrong legal standards in granting Desktop's motion to withdraw its notice of dismissal and rescind the Settlement Agreement. The district court granted the motion and reinstated the litigation because "a fact finder *could* determine that [Digital] failed to disclose material facts to plaintiff during settlement negotiations * * *." Pet. App. 13a (emphasis added). There is, however, no duty to disclose to an adversary during settlement negotiations. *See, e.g., Southwest E & T Suppliers, Inc.* v. *American Enka Corp.*, 463 F.2d 1165, 1166 (5th Cir. 1972); *Holman* v. *Gulf Refining Co.*, 76 F.2d 94, 98 (5th Cir.), *cert. denied*, 296 U.S. 590 (1935); *In re Appraisal of Enstar Corp.*, 593 A.2d 543, 549 (Del. Ch. 1991), *rev'd on other grounds*, 604 A.2d 404 (Del. 1992).

Even if there were such a duty, the Settlement Agreement should not have been set aside and the litigation reinstated on the basis of fraud simply because a fact finder "could" have found a failure to disclose. Given the importance of binding and final settlement agreements to the administration of justice, such agreements are not set aside on the basis of such speculation. *See supra*, at 22-26. In addition, a party seeking to set aside a settlement agreement on the basis of fraud must establish fraud through clear and convincing evidence, not simply meet the standard necessary to present the issue to a fact finder. *See Crookston* v. *Fire Ins. Exchange*, 817 P.2d 789, 800 (Utah 1991); Fed. R. Civ. P. 60(b)(3). Unless orders refusing to enforce agreements to forego litigation are appealable under the Court's collateral order doctrine, parties in Digital's situation will be compelled to endure the very burdens and expense of litigation they bargained to avoid, before being afforded the opportunity to secure appellate review of such plainly erroneous rulings of law. Under such a rule, the value of the settlement is signifi-

cantly diminished. This is particularly true when—as here—the plaintiff is allowed to keep the large sum paid in settlement in the meantime.

The Tenth Circuit seriously misjudged the importance of enforcing settlement agreements when it determined that immediate appeals of decisions refusing to enforce agreements not to litigate would serve no compelling public policy. The proper understanding of the public policy interests served by such appeals—grounded in the long-standing views of this Court and Congress—is demonstrated by the decisions of the Second, Fifth, and Eleventh Circuits. This Court should reverse the decision below to vindicate those interests.

2. *The Right To Appeal Under Section 1291 Should Not Be Circumscribed By A Court's Judgment About The Importance, As A Matter Of Public Policy, Of The Issue On Appeal*

While we think it clear that safeguarding the binding and final effect of agreements not to litigate meets the "compelling public policy" test set forth by the Tenth Circuit, Pet. App. 6a, it is important to recognize that this standard is nowhere articulated in this Court's opinions. Indeed, the entire enterprise engaged in by the court below—deciding which types of cases are "important enough" as a matter of public policy to be appealed under a statutory provision that does not vest such discretion in the courts—seems strangely foreign to accepted notions of jurisdiction and the respective roles of Congress and the Federal Courts. In fact, this Court's opinions confirm that the court below erred in undertaking to analyze whether this category of cases was "important enough," in some broad public policy sense, to be appealed under the *Cohen* doctrine.

The question of appealability turns, after all, on a construction of 28 U.S.C. § 1291. While this Court has given this statute a "practical rather than a technical construction," *Cohen*, 337 U.S. at 546, and allowed appeal of certain orders that do not completely terminate proceedings in the district court, the Court has from the beginning explained such decisions as being grounded on an interpretation of Section 1291. *See, e.g., Abney* v. *United States*, 431 U.S. at 659 n.4 (Court's decision in *Cohen* "was based on its construction of 28 U.S.C. § 1291"); *id.* at 662 (pretrial orders rejecting double jeopardy claims "satisfy the jurisdictional prerequisites of § 1291"); *United States* v. *MacDonald*, 435 U.S. at 854; *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. at 375. In determining which collateral orders may be appealed under *Cohen*, therefore, the Court is simply applying the statute enacted by Congress to govern jurisdiction in the federal courts.

The central concern of that statute is finality, and the question in any case applying the collateral order doctrine is whether the order at issue "is a final decision within the meaning of 28 U.S.C. § 1291." *Abney*, 431 U.S. at 653. The factors relied upon by this Court in answering that question—whether the ruling is conclusive, whether it is separate from the merits, and whether it is effectively unreviewable on appeal from a final judgment—are each logically related to finality. The question whether the right at issue is "important enough" in the broad public policy sense employed by the Tenth Circuit below, however, is not. The importance inquiry undertaken by the court below cannot be grounded in a construction of Section 1291.[12]

The *Cohen* doctrine is, admittedly, the result of what the Court termed a "practical" construction of Section 1291. But a recognition that the statutory term "final decisions" requires judicial construction does not mean that all bets are off and that the courts are free to shape

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[12] The First Circuit has concluded that importance "is not analytically a proper element of the collateral order test." *In re San Juan Star Co.*, 662 F.2d 108, 113 (1st Cir. 1991).

the jurisdictional provision as they see fit. It particularly does not mean that the courts are free to determine appealability based on their own notions of "importance," rather than factors tied in some way to the term to be construed—"final decisions." [13]

Appeals under the *Cohen* doctrine are appeals as of right under Section 1291. A doctrine that permits courts to determine the availability of such appeals on the basis of their own judgments about the importance of appealability would fly in the face of the traditional understanding that courts are bound to exercise the jurisdiction given to them by Congress. *See, e.g., Cohens* v. *Virginia*, 19 U.S. (6 Wheat.) 264, 404 (1821) ("We have no more right to decline the exercise of jurisdiction which is given, than to usurp that which is not given"); *McCarthy* v. *Madigan*, 112 S. Ct. 1081, 1087 (1992) ("federal courts are vested with a 'virtually unflagging obligation' to exercise the jurisdiction given them" (quoting *Colorado River Water Conservation Dist.* v. *United States*, 424 U.S. at 817-818). *See also United States* v. *Weissberger*, 951 F.2d 392, 397 (D.C. Cir. 1991) ("If the matter in dispute satisfies the *Cohen* test, we must hear it").[14]

[13] The impropriety of the Tenth Circuit's approach is further confirmed by 28 U.S.C. § 2072(c). Enacted in 1990, that addition to the Rules Enabling Act authorizes this Court to prescribe, pursuant to the procedures of the Rules Enabling Act, rules defining "when a ruling of a district court is final for the purposes of appeal under section 1291 of this title." The Court has not issued rules under this provision, but the statutory language confirms Congress's understanding that the focus should be—consistent with 28 U.S.C. § 1291—on defining when a ruling is "final," not simply when it should be "appealable" in the Court's view.

[14] Congress has vested discretion in the courts to authorize interlocutory appeals under 28 U.S.C. § 1292(b), based on a determination that the order in question "involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation." Such action is of course quite different from the Tenth Circuit's approach here, be-

In *Cohen*, the Court of course observed that claims appealable on a collateral basis must be those that are "too important to be denied review." 337 U.S. at 546. *See also Coopers & Lybrand* v. *Livesay*, 437 U.S. at 468 (to be appealable as collateral order, decision must "resolve an important issue completely separate from the merits of the action"). To be sure, some of the issues that this Court has found appealable under the *Cohen* test *do* involve issues of overarching public significance. *See, e.g., Nixon* v. *Fitzgerald*, 457 U.S. at 743 (appeal by former President Nixon of denial of absolute immunity presented "a 'serious and unsettled' and therefore appealable question" because of "special solicitude due to claims alleging a threatened breach of essential Presidential prerogatives under the separation of powers"). But this Court has never held that the "importance" element of the *Cohen* test gives federal courts license to determine that a claim otherwise appealable under the settled interpretation of Section 1291 should not be heard because the Court does not deem it important enough, as

cause it is based on an express congressional directive, and because it involves a specific determination in a particular case, not a broad policy judgment about whether whole classes of cases should be appealable.

Desktop is wrong to contend that Digital should not be permitted to appeal here because it did not seek leave to appeal under the entirely distinct, and discretionary, route of 28 U.S.C. § 1292(b). Opp. at 7. Desktop cites no authority—and we are aware of none—for the proposition that invocation of Section 1292(b) procedures is a prerequisite to an appeal under the collateral order doctrine. This Court, moreover, has permitted collateral review in cases where no certification was sought under Section 1292(b). *See, e.g., Abney* v. *United States*, 431 U.S. at 655. *See also Forsyth* v. *Kleindienst*, 599 F.2d 1203 (3d Cir. 1979) (unsuccessful attempts to have issue of absolute immunity certified under Section 1292(b) did not preclude defendants from relying on collateral order doctrine), *cert. denied*, 453 U.S. 913 (1981); 9 J. Moore, B. Ward & J. Lucas, *Moore's Federal Practice* ¶ 110.22[5], at 285 (1993) ("If an order that does not end the litigation fits within one of the practical finality doctrines, it is appealable as a final decision without the necessity of a § 1292(b) statement").

a matter of policy, to review prior to final judgment. The Tenth Circuit's effort to impose such a judicial public policy gloss on Section 1291 should be rejected.

In fact, this Court has *never* rejected collateral review—as the Tenth Circuit did below—simply because it deemed an issue that is conclusively determined, separate from the merits, and otherwise unreviewable to be not important enough for appeal as of right under Section 1291.[15] In *Coopers & Lybrand*, for example, the Court rejected the "death knell" doctrine for review of orders denying class certification, but did not rest its decision on any judgment of the importance of the matter as a matter of public policy. On the contrary, when the parties urged the Court to consider the importance of small-claim class actions, the Court expressly declined to do so: "Such policy arguments, though proper for legislative consideration, are irrelevant to the issue we must decide." 437 U.S. at 470.

The "importance" test embraced by the Tenth Circuit is largely indeterminate—precisely because it is a policy judgment more suited to legislative than judicial resolution. "Important enough" compared to what? By what standard does a court decide that allowing appeal of an order vacating attachment of a vessel or an order requiring the posting of security under state law is more important than allowing appeal of an order vacating a settlement? Such a standard promises widely disparate results across the various Circuits, for the simple reason that "importance" in this broad sense is a relative concept largely in the eye of the beholder. The Second Circuit, for example, may regard appeal of certain orders in securities cases to be "important enough," while the Tenth

[15] *See Boreri* v. *Fiat S.P.A.*, 763 F.2d 17, 21 (1st Cir. 1985); *In re San Juan Star Co.*, 662 F.2d at 113 (Supreme Court "has apparently never rejected an appeal for failure to satisfy" an importance test).

Circuit may regard review of certain orders in mining cases to fit the bill.

Such an imprecise test is peculiarly ill-suited for questions of federal court jurisdiction. To the extent possible, jurisdictional questions should be governed by clear lines. *See, e.g., Palmore* v. *United States*, 411 U.S. 389, 397 (1973) ("Jurisdictional statutes are to be construed 'with precision and with fidelity to the terms by which Congress has expressed its wishes'" (quoting *Cheng Fan Kwok* v. *INS*, 392 U.S. 206, 212 (1968)). Permitting appellate jurisdiction to turn on a judicial evaluation of whether it is "important enough" as a matter of public policy to allow appeal of the type of issue involved plainly does not meet that standard and finds no support in the jurisdictional statute at issue.[16]

[16] The Tenth Circuit based its approach on a separate concurring opinion in which, according to the Tenth Circuit, one Justice "found the importance requirement dispositive." Pet. App. 7a (citing *Lauro Lines*, 490 U.S. at 502 (Scalia, J., concurring)). Even that separate concurrence did not adopt a "compelling public policy" test of the sort applied by the court of appeals below, but the important point is that the opinion was a separate concurrence, joined by no other member of the Court. If this Court understood its practical construction of Section 1291 to allow it to decide which matters otherwise satisfying the collateral order doctrine were "important enough" to appeal, presumably the majority would have said so in response to the concurrence's invitation. In fact, what the Court did in its unanimous opinion (the author of the concurrence also joined the opinion) was focus on "the precise contours of the right asserted," and conclude that what was at issue was *not* a right to avoid suit. 490 U.S. at 501. That inquiry—not some vague assessment of importance—is the critical one.

Indeed, under the analysis in the concurring opinion in *Lauro Lines*, *Cohen* itself was wrongly decided. The concurrence concluded that the right under the contractual forum selection clause was not important enough to justify interlocutory appeal. The author of the concurrence, however, had earlier explained that "[i]t is difficult to imagine an issue of more importance, other than one that goes to the very merits of the lawsuit, than the validity of a contractual forum-selection provision," specifically citing the issue in *Cohen* in

The Tenth Circuit therefore erred not only in its conclusion that vindication of the finality of settlement agreements does not serve "compelling public policy" interests, but also in its very decision to search for and evaluate such interests. Since the inquiry under *Cohen* is an interpretation of Section 1291, the content of any importance test must relate to that provision, not to broad notions of public policy. Although this Court has not been required in the nearly 45 years since *Cohen* to define the precise scope of the importance inquiry, a right to avoid trial is plainly "important" under Section 1291, since that provision is concerned solely with whether trial must proceed or an appeal may be taken. Indeed, as explained above, this Court's recent decisions have emphasized that "an entitlement not to stand trial" is "the heart of the issue," *Mitchell* v. *Forsyth*, 472 U.S. at 525, and the Court has *always* found collateral review permissible after satisfying itself that a right not to be tried was implicated. Once Digital established the existence of such a right, the importance test—whatever its precise boundaries—was necessarily met.

3. *There Is No Basis In Section 1291, Or In The Decisions Of This Court, For Limiting Appeals Under The Statute To Those Invoking Constitutional Or Statutory Rights*

In addressing the importance issue, the court below quoted this Court's opinion in *Midland Asphalt* for the proposition that the right not to be tried under *Cohen* "rests upon *an explicit statutory or constitutional guarantee* that trial will not occur." Pet. App. 9a (quoting 489 U.S. at 801) (emphasis added by court below)). The Court in *Midland Asphalt* did cite cases that permitted interlocutory appeals under *Cohen* where the right not to be tried rested on explicit constitutional guarantees that trial will not occur. As the Tenth Circuit itself noted, however, this Court has not so limited the application of the collateral order doctrine. Pet. App. 6a, 8a. The Tenth Circuit cited, for example, this Court's decision in *Mitchell* v. *Forsyth, supra,* in which the Court found the denial of qualified immunity to be immediately appealable under *Cohen.* The right not to be tried based on a defense of qualified immunity plainly does not rest upon "an explicit statutory or constitutional guarantee that trial will not occur." Nor does the right not to be tried based on absolute immunity, which this Court has also held will give rise to an immediate appeal under *Cohen. Nixon* v. *Fitzgerald,* 457 U.S. 731 (1982). Rather, the immunity doctrines articulated by this Court have been developed by "[d]rawing upon principles of immunity developed in English cases at common law." *Id.* at 744. *See Anderson* v. *Creighton,* 483 U.S. 635, 644 (1987) ("our determinations as to the scope of official immunity are made in the light of the 'common-law tradition' ").[17]

Here Digital's right not to be tried rests on the plain terms of the Settlement Agreement, and Digital's common law right to enforce that contract with Desktop. Neither the Tenth Circuit below nor respondent has offered any reason why such a right grounded in state common law should be any less supportive of immediate appeal under *Cohen* than the state statutory right at issue in *Cohen* itself, the common law rights not to be tried at issue in

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a list of issues "of similar or obviously lesser importance." *Stewart Organization, Inc.* v. *Ricoh Corp.*, 487 U.S. 22, 40-41 (1988) (Scalia, J., dissenting). If the issue in *Lauro Lines* was not important enough, according to this reasoning, then the issue in *Cohen* was not either. The cases are reconciled by recognizing that *Lauro Lines* was not based, implicitly or otherwise, on the importance of the right asserted, but on careful scrutiny of whether the right was in fact a right to avoid trial.

[17] A similar conclusion was reached by the Ninth Circuit in *Lutz* v. *Secretary of the Air Force*, 944 F.2d 1477 (9th Cir. 1991), in which the court held that denial of the judicially-created *Feres* defense (*see Feres* v. *United States*, 340 U.S. 135 (1950))—which also involved no explicit statutory or constitutional guarantee that trial will not occur—was immediately appealable under *Cohen.*

the immunity cases, or the attachment rights based on admiralty practice that were at issue in *Swift & Co.* v. *Compania Columbiana del Caribe,* 339 U.S. 684 (1950) (allowing immediate appeal of district court order vacating attachment of vessel). In fact, this Court has never held *Cohen* inapplicable because the asserted right was based on enforceable law other than the Constitution or a statute. In *Lauro Lines,* for example—decided after *Midland Asphalt*—the Court considered the appealability of an order refusing to enforce a contractual forum selection clause under the normal criteria for applying the collateral order doctrine. If the *Midland Asphalt* language were taken literally, however, the issue would have been resolved merely by observing that no explicit constitutional or statutory rights were at stake. Instead, the Court applied the normal *Cohen* analysis and decided that the case did not involve an entitlement "to avoid suit altogether." 490 U.S. at 501. This case plainly does. *See supra* at 12-15.

Nothing in the language or history of Section 1291, moreover, suggests that the collateral order doctrine should be limited to cases involving explicit constitutional or statutory rights not to go to trial. As explained above, this Court's decisions make plain that the *Cohen* doctrine is grounded in a construction of the term "final decisions" in the statute. The test articulated by the Court identifies those decisions that bear the characteristics of finality: conclusively determined by the district court, not bound up in the merits of the continuing dispute, and effectively lost if not vindicated on an interlocutory basis. An additional element of the test requiring an explicit constitutional or statutory source for the asserted right completely divorces the test from its statutory basis. Nothing in the language of Section 1291 provides any support for a limitation of appeals to certain types of decisions otherwise considered to be final under the statute.

Nor are the purposes of the finality rule served by limiting appeals under the collateral order doctrine to those

cases involving explicit constitutional or statutory rights not to be tried. The finality rule, this Court has explained, is designed "to combine in one review all stages of the proceeding that effectively may be reviewed and corrected if and when final judgment results." *Cohen,* 337 U.S. at 546. The Court has subsequently explained that the rule serves the interests of deference to the independence of trial judges, avoiding obstruction of just claims, and efficient judicial administration. *Richardson-Merrell, Inc.* v. *Koller,* 472 U.S. 424, 430 (1985); *Firestone Tire & Rubber Co.* v. *Risjord,* 449 U.S. at 374. But, as the *Cohen* doctrine recognizes, sometimes these interests are better served by permitting collateral appeals. *See, e.g., Coopers & Lybrand,* 437 U.S. at 471 ("a rigid insistence on technical finality would sometimes conflict with the purposes of the statute"); *Cobbledick* v. *United States,* 309 U.S. at 329 ("Due regard for efficiency of litigation must not be carried so far as to deny all opportunity for the appeal contemplated by the statutes"). Neither the interests served by the finality rule nor the reasoning underlying the *Cohen* doctrine suggest any meaningful way in which the *source* of the right at issue (*e.g.,* constitutional, statutory, common law, or private agreement) has any bearing on the purposes served by the rule or the interpretation of it adopted in *Cohen.*[18]

* * * *

[18] The Court in *Midland Asphalt* was not asked to limit the instances in which a right not to be tried would give rise to immediate appeal under *Cohen* to those cases in which the right was grounded in an explicit constitutional or statutory provision; no such issue was before the Court. The point of the sentence taken out of context by the Tenth Circuit had nothing whatever to do with the *source* of the right not to be tried, but rather with the fact that, for *Cohen* purposes, the guarantee must be—as it is in this case—that "trial will not occur." Indeed, when this Court had occasion to quote the same sentence from *Midland Asphalt* in its opinion in *Lauro Lines,* the Court underscored the phrase "that trial will not occur," not the *obiter dicta* underscored by the Tenth Circuit. *Compare* 490 U.S. at 499 (quoting *Midland Asphalt*) *with* Pet. App. 9a (same).

The right Digital seeks to vindicate on appeal is the right to avoid trial, and that right will be lost if Digital must await the end of trial to appeal. Under this Court's precedents, a conclusive determination of a claim to avoid trial separate from the merits is immediately appealable under the *Cohen* doctrine. The court of appeals erred in reaching the contrary result, based on its determination as a matter of public policy that the right to avoid trial at issue here—one based on a settlement agreement typical of the sorts of agreements that play a key role in dispute resolution in the federal courts—was not important enough to support appeal under *Cohen*. This Court accordingly should reverse the judgment below.

CONCLUSION

For the foregoing reasons, this Court should reverse the decision below.

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,

v.

DESKTOP DIRECT, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

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QUESTION PRESENTED

Whether the court of appeals correctly held that there can be no interlocutory appeal under the collateral order doctrine of an order setting aside a fraudulently induced settlement agreement.

PARTIES TO THE PROCEEDING

Petitioner Digital Equipment Corporation, or DEC, was defendant-appellant below. Respondent Desktop Direct, Inc., was plaintiff-appellee.

Pursuant to Rule 29.1 of the Rules of this Court, respondent states that it has neither parent nor subsidiary companies.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

No. 93-405

DIGITAL EQUIPMENT CORPORATION,
Petitioner,
v.
DESKTOP DIRECT, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

BRIEF OF RESPONDENT

JURISDICTION

This Court's jurisdiction to review the judgment below rests on 28 U.S.C. § 1254(1). However, as explained below, the court of appeals had no jurisdiction over the order of the district court that is at issue, because that order was not final under 28 U.S.C. § 1291.

STATEMENT OF THE CASE

Respondent Desktop Direct is a small corporation with a handful of employees engaged in the sale of computer-related equipment. Petitioner Digital Equipment Corporation, well known in the industry as DEC, is a multi-billion-dollar corporation with thousands of employees, also engaged in the sale of computer-related products. In late 1991, petitioner moved into a new area of the computer market, and for this enterprise chose to use

respondent's tradename, "Desktop Direct." By as early as December 2, 1991, DEC had sent out a mass mailing announcing DEC's new service under the name "Desktop Direct from Digital." [1] Although DEC's counsel had performed "a preliminary trademark search" on a computer database containing registered trademarks,[2] further investigations—including an additional trademark search of registered trademarks,[3] a "common-law trademark" search,[4] and a review of the trade literature [5]—were not conducted until *after* DEC had begun using respondent's name. Although DEC admittedly knew of Desktop Direct by the time it had concluded its investigation (shortly after the mass mailing), DEC continued to use the Desktop Direct name.

Desktop Direct first became aware of DEC's use of the name "Desktop Direct from Digital" when confused consumers began to call Desktop Direct on its toll-free line.[6] Desktop Direct thereupon filed a complaint in the United States District Court for the District of Utah against DEC for unlawful use of the Desktop Direct name. Desktop Direct sent a copy of the complaint to

[1] Appellant's Brief on the Merits at 5, filed by petitioner DEC in court of appeals (May 12, 1993).

[2] Declaration of Janis M. LaRue ¶ 3, filed by petitioner DEC in district court (Oct. 16, 1992).

[3] *Id.* ¶ 4.

[4] *Id.* ¶ 6.

[5] *Id.* ¶ 7. At the relevant time, Desktop Direct advertised in a number of national computer magazines, including MacWorld, MacUser, MacWeek, Computer Buying World, PC Sources, WordPerfect for Windows Magazine, and Windows and OS/2 Magazine. Complaint for Injunctive Relief and Damages ¶ 4, filed by respondent Desktop Direct in district court (Feb. 28, 1992).

[6] When Desktop Direct personnel explained that Desktop Direct was not affiliated with DEC, some customers reacted in a hostile or suspicious fashion, and expressed the belief that Desktop Direct was improperly using DEC's tradename, rather than the reverse. Complaint for Injunctive Relief and Damages ¶ 13, filed by respondent Desktop Direct in district court (Feb. 28, 1992).

DEC, but did not formally serve it. Upon receiving Desktop Direct's complaint, Barry Yanes, the chief executive officer of a corporate division of DEC, contacted Steven Rowley, the owner and president of Desktop Direct. Mr. Yanes represented to Mr. Rowley that DEC had committed an innocent mistake in using Desktop Direct's name, and that the matter ought to be settled "without the involvement of attorneys." [7] At the same time, Mr. Yanes observed that DEC's superior resources would permit it to engage in tactics that would prolong the litigation for years if respondent did not agree to settle.[8]

Mr. Rowley took Mr. Yanes at his word. The parties reached a confidential settlement agreement pursuant to which DEC would pay Desktop Direct a sum of money in exchange for (1) the right to use the "Desktop Direct" tradename and trademark that had been developed and used by respondent and (2) the dismissal of the suit. J.A. vol. II (Sealed) ¶¶ 1, 6, at 2-4. Accordingly, in March 1992, respondent withdrew its complaint with prejudice.

[7] Declaration of Steven A. Rowley ¶¶ 12, 13, filed by respondent Desktop Direct in district court as exhibit to Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement (Sept. 17, 1992).

[8] *Id.* ¶ 16. DEC has, in fact, made good on its threat by employing every means at its disposal to prolong the litigation. It is undisputed that in the district court, DEC obtained continuances to respond to the various memoranda and took advantage of other procedural delays. It is likewise undisputed that when DEC did not prevail on Desktop Direct's motion to set aside the settlement agreement, DEC delayed the maximum allowable time before requesting reconsideration and a stay (which were denied). In the court of appeals, DEC again did not prevail and again delayed the maximum allowable time before requesting rehearing and rehearing *in banc* (which were also denied).

The Order Denying Rehearing was entered by the court of appeals on June 16, 1993; DEC's petition and stay request were not mailed until September 13, 1993. Thus, DEC did not promptly seek review in this Court, but delayed nearly the full time allowed by the rules before filing its petition and its request for a stay.

However, in May 1992, during an informal conversation, an in-house attorney at DEC informed counsel for respondent that DEC, with full knowledge about Desktop Direct, had nevertheless proceeded with its use of Desktop Direct's name against the advice of counsel.[9] This admission caused Mr. Rowley to realize that the information given him by Mr. Yanes in their settlement discussions had been misleading. In particular, the admission by DEC's counsel revealed that Desktop Direct's case for trademark infringement was much stronger than Mr. Rowley had been led to believe, and furthermore, that Desktop Direct had a powerful case for *willful* infringement, for which trebled damages and attorney's fees can be awarded.[10]

Respondent thereupon filed a motion to set aside the dismissal and reinstate the lawsuit on the ground that the settlement had been induced by petitioner's fraudulent misrepresentations. The briefing on that motion made plain that petitioner used the Desktop Direct name not-

[9] Declaration of Andrew P. Bridges ¶ 11, filed by respondent Desktop Direct in district court as exhibit to Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement (Sept. 17, 1992).

[10] The basic framework for monetary damages in tradename and trademark infringement cases is set forth in 15 U.S.C. § 1117, which includes an allowance for enhanced damages and attorney's fees:

> (a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section § 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the . . . principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . *In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount . . . . The court in exceptional cases may award reasonable attorney fees to the prevailing party.*

15 U.S.C. § 1117(a) (emphasis added).

withstanding its knowledge of respondent's prior use of the name.[11] Indeed, petitioner did not dispute that it continued to use the name even after it had completed its due diligence and knew that the "Desktop Direct" name was being used by respondent in the same market.[12]

On the basis of the full submissions of the parties, as well as oral argument, the district court granted Desktop Direct's motion and set aside the fraudulently obtained settlement. Pet. App. 12a-13a. DEC made no request that the court include in its order a certification under 28 U.S.C. § 1292(b) that would have permitted DEC to seek immediate appeal of the court's order. DEC also failed later to request that the court modify its order to include such a certification.

DEC filed a notice of appeal in the United States Court of Appeals for the Tenth Circuit, claiming the court had jurisdiction under the collateral order doctrine of *Cohen* v. *Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949). The Tenth Circuit ruled that the district court's order was not appealable under the collateral order doctrine, and dismissed DEC's appeal. Pet. App. 10a.

[11] *See generally* Declaration of Janis M. LaRue ¶ 3, filed by petitioner DEC in district court (Oct. 16, 1992).

[12] Petitioner took a narrow and technical approach, arguing only that at the time it *adopted* the "Desktop Direct" name, it was unaware of respondent. *See, e.g.*, Defendant's Memorandum in Opposition to Plaintiff's Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement on the Basis of Fraud in the Inducement at 12, filed by petitioner DEC in district court (Oct. 16, 1992) ("Mr. Yanes did not tell Mr. Rowley that [DEC] had no knowledge of [Desktop Direct] until this lawsuit was filed. Thus, Mr. Yanes did not make any misrepresentations to Mr. Rowley . . . . Even if [DEC] was wrong to proceed with use of the name after learning about [Desktop Direct] . . . there were no misrepresentations made to Mr. Rowley during settlement negotiations on this point"). DEC took a similar tack in the court of appeals. *See* Appellant's Brief on the Merits at 12, filed by petitioner DEC in court of appeals (May 12, 1993) (DEC's "continued use of the DESKTOP DIRECT FROM DIGITAL name after learning of [Desktop Direct], by itself, does not constitute intentional infringement as a matter of law").

The court of appeals began its analysis by noting that to qualify for review under the collateral order exception from the finality requirement, " 'an order must satisfy at least three conditions: It must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment.' " Pet. App. 3a (quoting *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 498 (1989) (quotations omitted)). The court then reviewed the district court's order under each prong of this test.

The court of appeals determined that the order met the first *Cohen* requirement because it "conclusively determine[d] the validity and enforceability of the settlement agreement." Pet. App. 4a. Turning to the second *Cohen* requirement, the court observed that that requirement had two components: the issue must be "important" as well as "completely separate from the merits." *Id.* (internal quotations omitted). Although it found the "separability" component satisfied, the court concluded that the issue lacked the requisite "importance" because all that was at stake was a party's mere "expectation" arising out of a private contract. *Id.* at 4a-5a.

The court analyzed the importance of the right petitioner asserted in tandem with the court's analysis of the third *Cohen* prong, the question of whether the order was "effectively unreviewable on appeal from a final judgment." Pet. App. 5a. In this regard, petitioner claimed the settlement agreement gave it a "right not to go to trial" that could be protected only by immediate appeal. The court of appeals rejected this claim, relying in part on this Court's holding in *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794, 801 (1989), that a " 'right not to be tried in the sense relevant to the *Cohen* exception rests upon *an explicit statutory or constitutional guarantee* that trial will not occur.' " Pet. App. 9a (emphasis added by court of appeals). No such statutory or constitutional guarantee is available to petitioner in this case.

The court of appeals also held that the district court's order failed the third *Cohen* requirement based on this Court's decision in *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495 (1989). That decision held that an order declining to enforce a contractual forum selection clause does not fall within the collateral order exception because the rights obtained by such a clause is "adequately vindicable" through post-judgment appeal. The court of appeals stated that it did "not see how a private settlement contract is significantly different from the contracted forum selection clause . . . in *Lauro Lines*." Pet. App. 10a. The court thus concluded that "[f]orcing parties to go through what may turn out to be a wasted trial is just one of the inevitable costs of the final judgment rule." *Id.*

The court acknowledged that its decision was contrary to decisions of the Second, Fifth, and Eleventh Circuits,[13] which had ruled that immediate appeal could be taken from an order setting aside a settlement agreement. The court disagreed with those courts that "encouragement of out-of-court settlements"—though desirable—fits within this Court's teachings about "which interests are 'important' enough to fall within the narrow confines of the *Cohen* doctrine." Pet. App. 6a. As the court explained, "Expansion of federal court jurisdiction in the absence of congressional authority is ground best trod lightly." *Id.* at 10a. The court therefore declined to expand the collateral order doctrine in the manner proposed by petitioner.

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[13] *Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *Grillet* v. *Sears Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991); and *Forbus* v. *Sears Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992). *See also infra* note 39 (appellate decision here in accord with decisions of Third, Sixth, and Ninth Circuits).

SUMMARY OF ARGUMENT

Federal law has long required that a district court decision be "final" in order to fall within the general jurisdiction of a federal appeals court. 28 U.S.C. § 1291; see Judiciary Act of 1789, 1 Stat. 73, 84; *cf.* 28 U.S.C. § 1292(b) (permitting narrow class of discretionary appeals from non-final orders). This rule is based not only on concerns about the efficient administration of the judicial system and an obvious desire to protect appellate dockets, but also on respect for the authority of the district judge in "polic[ing] the prejudgment tactics of litigants." *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 436 (1985).

Petitioner does not and cannot contend that the district court order in this case—which vacated a settlement agreement because of petitioner's fraud—is final within the meaning of Section 1291. *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 467 (1978). Rather, petitioner claims that the order fits within a narrow, judicially created exception to the finality requirement, the "collateral order" exception first articulated by this Court in *Cohen* v. *Beneficial Industrial Loan Corp.*, 337 U.S. 541, 546 (1949). Because the express language of Section 1291 contains no exceptions, the Court has invoked this implied exception only in very narrow circumstances. "To fall within the [*Cohen*] exception, an order must *at a minimum* satisfy three conditions: It must 'conclusively determine the disputed question,' 'resolve an important issue completely separate from the merits of the action,' and 'be effectively unreviewable on appeal from a final judgment.'" *Richardson-Merrell, Inc.*, 472 U.S. at 431 (quoting *Coopers & Lybrand*, 437 U.S. at 468) (emphasis added).

The core of petitioner's argument is that the settlement agreement, a private contract, gave it a "right not to go to trial" that is of the same status as, for example, publicly created rights of such obvious importance as the right of a President not to stand trial for his official acts (see *Nixon*

v. *Fitzgerald*, 457 U.S. 731 (1982)), or the constitutional right of a criminal defendant not to be tried twice for the same offense (see *Abney* v. *United States*, 431 U.S. 651 (1977)). Petitioner argues that it—as well as all other similarly situated private litigants—is *entitled* to immediate interlocutory appeal of any district court order that arguably impinges upon a private contractual "right not to go to trial." Petitioner's argument fails for three independently sufficient reasons.

First, petitioner's argument is foreclosed by this Court's holding that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon an *explicit statutory or constitutional guarantee* that trial will not occur." *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794, 801 (1989) (emphasis added). Petitioner necessarily admits that its claimed "right not to be tried" rests solely on a private contract. Pet. Br. 35. Therefore, under *Midland Asphalt*, petitioner has no right to an interlocutory appeal, as the court of appeals properly held. And, contrary to petitioner's argument, *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985), poses no obstacle to straightforward application of the rule articulated in *Midland Asphalt*: Unlike the privately created contractual rights at issue here, the "right not to go to trial" at issue in *Mitchell* was plainly grounded in the Constitution as well as long-standing common-law tradition.

Moreover, the wisdom of the *Midland Asphalt* rule is highlighted by the alternative "test" proposed by petitioner, a *per se* rule that orders setting aside settlements are always immediately appealable regardless of all other circumstances. This approach is wholly at odds with the final judgment rule and the corresponding imperative that the collateral order exception to it must be narrow in scope.

Second, as the court of appeals correctly found, rights created by private settlement agreements are not of sufficient "importance" under the second prong of the *Cohen*

test, *Coopers & Lybrand*, 437 U.S. at 468, to warrant a dramatic extension of the judicially created collateral order doctrine. Petitioner implicitly recognizes this when it urges the Court to abandon the "importance" requirement altogether. But there is no reason for the Court to overrule this well established and vital feature of its *Cohen* jurisprudence.

Finally, any rights created by a private settlement agreement are "adequately vindicable" through post-trial review, see *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495 (1989), and thus do not meet the third *Cohen* requirement that the order sought to be reviewed "be effectively unreviewable on appeal from a final judgment." *Coopers & Lybrand*, 437 U.S. at 468. Settlement agreements, including the one at issue here, do much more than avert a trial. They also establish substantive rights as between the parties—here, the allocation of intellectual property rights. Such agreements also eliminate the remaining costs and risks of litigation and limit a defendant's liability on the plaintiff's claims. Thus, petitioner's claimed "right not to go to trial" is merely one of many benefits of an ordinary settlement agreement, and clearly is not its "essential element," see *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 525-26 (1988), as the court of appeals properly held.

ARGUMENT

THE COURT OF APPEALS' DECISION DENYING INTERLOCUTORY APPEAL OF AN ORDER SETTING ASIDE A FRAUDULENTLY INDUCED SETTLEMENT AGREEMENT SHOULD BE AFFIRMED.

This Court should affirm the court of appeals' dismissal for want of jurisdiction, and hold, on any of three separate grounds, that the collateral order doctrine cannot be broadened to permit immediate appeal of district court orders setting aside private settlement agreements obtained through fraud and misrepresentation.

A. The Collateral Order Doctrine Carves Out Only A Narrow Exception To The Clear Mandate Of Finality Embodied In Section 1291.

The final judgment rule, now codified at 28 U.S.C. § 1291, provides that the courts of appeals have jurisdiction over "appeals from all final decisions of the district courts."[14] This Court has consistently construed this language to mean that appeal must await "a decision by the District Court that 'ends the litigation on the merits and leaves nothing for the court to do but execute the judgment.'" *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 467 (1978) (quoting *Catlin* v. *United States*, 324 U.S. 229, 233 (1945)). The final judgment rule and Section 1291 thus reflect Congress' determination that our judicial system generally demands finality as a prerequisite to appeal, and strongly disfavors "'piecemeal appellate review of trial court decisions.'" *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 430 (1985) (quoting *United States* v. *Hollywood Motor Car Co.*, 458 U.S. 263, 265 (1982)).

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[14] The final judgment rule embodied in 28 U.S.C. § 1291 is the direct descendent of the Judiciary Act of 1789, which specified that only "final judgments and decrees of the federal district courts may be reviewed on appeal." 1 Stat. 73, 84. *See Cobbledick* v. *United States*, 309 U.S. 323, 324 (1940).

This policy against piecemeal appeal serves two purposes. First, it promotes judicial economy. As the Court stated in *Cobbledick* v. *United States*, 309 U.S. 323, 325 (1940), the finality requirement

> avoid[s] the obstruction to just claims that would come from permitting the harassment and cost of a succession of separate appeals from the various rulings to which a litigation may give rise, from its initiation to entry of judgment. To be effective, judicial administration must not be leaden-footed. Its momentum would be arrested by permitting separate reviews of the component elements in a unified cause.

See also *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 374 (1981); *Eisen* v. *Carlisle & Jacquelin*, 417 U.S. 156, 170 (1974). Second, the final judgment rule also respects the "independence of the district judge, as well as the special role that individual plays in our judicial system." *Firestone Tire & Rubber Co.*, 449 U.S. at 374. In particular, Section 1291 reflects "Congress' judgment that the *district judge* has primary responsibility to police the prejudgment tactics of litigants, and . . . can better exercise that responsibility if the appellate courts do not repeatedly intervene to second-guess prejudgment rulings." *Richardson-Merrell, Inc.*, 472 U.S. at 436 (emphasis in original); *cf. Cohen* v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541, 546 (1949) ("Appeal gives the upper court a power of review, not one of intervention").

This "firm congressional policy against interlocutory or 'piecemeal' appeals," *Abney* v. *United States*, 431 U.S. 651, 656 (1977), is underscored by the fact that the express language of Section 1291 contains no exceptions. By contrast, a number of statutes illustrate Congress' ability to legislate where "rigid application" of the final judgment rule embodied in Section 1291 may "create undue hardship." *Carson* v. *American Brands, Inc.*, 450 U.S. 79, 83 (1981) (discussing 28 U.S.C. § 1292(a)(1)) (citing *Baltimore Contractors, Inc.* v. *Bodinger*, 348 U.S.

176, 180-81 (1955)). One such statute is a 28 U.S.C. § 1292(b), which provides for discretionary certification by the district court and discretionary acceptance by the court of appeals of important non-final questions,[15] and which petitioner inexplicably failed to invoke below.[16] Only six years ago, Congress provided for interlocutory appeal when a trial court rejects a contention that a dispute must be arbitrated under an agreement between the parties and instead requires the parties to litigate. See 9 U.S.C. § 15; H.R. Rep. No. 889, 100th Cong., 2d Sess. 36-37 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 5997.

Even where Congress has not drafted a specific statutory exception to Section 1291, the Court nonetheless has interpreted the provision as authorizing appeals from a "small class" of prejudgment orders "to fill an apparently unintentional void left by Congress in 28

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[15] Section 1292(b) reads in pertinent part:

> When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order.

Petitioner, of course, did not request such a certification order under Section 1292(b).

[16] Another example is 28 U.S.C. § 1292(a)(1), which permits immediate appeal of orders "granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions." Section 1292 provides for immediate review of "orders appointing receivers, or refusing . . . to wind up receiverships," 28 U.S.C. § 1292(a)(2), and "interlocutory decrees . . . determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed." *Id.* § 1292(a)(3).

U.S.C. §§ 1291 & 1292." Pet. App. 10a. In *Cohen* v. *Beneficial Industrial Loan Corp.*, the Court articulated the collateral order doctrine, holding that appeals may be taken from orders that "finally determine claims of right separable from, and collateral to, rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated." 337 U.S. at 546. For this small class of truly collateral orders, appellate review may be conducted without frustrating the goals of the final judgment rule, because such orders—which otherwise might evade review altogether—raise issues wholly independent of the merits of the action. Immediate review would thus not impose undue burdens on either the district courts or the courts of appeals. See 15A C. Wright & A. Miller, *Federal Practice & Procedure* § 3911, at 333-34 (1992).

In light of the importance of the policies underlying the final judgment rule and Congress' ability to legislate exceptions, the Court in *Cohen* "carved out" only "a narrow exception," *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794, 798 (1989), governed by "stringent conditions." *Flanagan* v. *United States*, 465 U.S. 259, 270 (1984). To qualify as an appealable collateral order, "an order must *at a minimum* satisfy three conditions: It must 'conclusively determine the disputed question,' 'resolve an important issue completely separate from the merits of the action,' and 'be effectively unreviewable on appeal from a final judgment.'" *Richardson-Merrell, Inc.*, 472 U.S. at 431 (quoting *Coopers & Lybrand*, 437 U.S. at 468) (emphasis added).

Appellants seeking interlocutory review thus carry a heavy burden: jurisdiction under the collateral order exception to Section 1291 is unavailable if the order fails to satisfy *any* part of the *Cohen* doctrine. *Gulfstream Aerospace Corp.* v. *Mayacamas Corp.*, 485 U.S. 271, 276 (1988). Because petitioner's appeal fails to fulfill

three of the requirements of the collateral order doctrine, the court of appeals correctly dismissed for want of jurisdiction.

B. Because Petitioner's Claimed "Right Not To Go To Trial" Rests Upon A Private Agreement Rather Than An Explicit Statutory Or Constitutional Guarantee, The Collateral Order Exception Does Not Apply.

Petitioner's only argument for involving the collateral order doctrine is that it obtained a "right not to go to trial" under the settlement agreement, and therefore is entitled to immediate appeal. The court of appeals properly rejected this theory, relying on this Court's holding in *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794 (1989), that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon an explicit statutory or constitutional guarantee that trial will not occur." 489 U.S. at 801. Because, by petitioner's own admission, its "right not to be tried" rests on the terms of the settlement agreement, Pet. Br. 35, rather than a statute or the Constitution, *Midland Asphalt* fully disposes of petitioner's argument, and the court of appeals' determination was clearly correct.

1. Midland Asphalt *Plainly Established The Requirement Of A Statutory Or Constitutional Basis For A "Right Not To Go To Trial."*

In *Midland Asphalt*, the defendant, Midland Asphalt Corporation ("Midland"), had moved to dismiss the indictment against it on the ground that the government had violated Rule 6(e)(2) of the Federal Rules of Criminal Procedure, which prohibits public disclosure by government attorneys of "matters occurring before the grand jury," except in certain specified circumstances. The district court denied the motion, and Midland appealed. This Court held that motions to dismiss based on Rule 6(e) violations are not immediately appealable. The Court cautioned,

> One must be careful . . . not to play word games with the concept of a "right not to be tried." In one sense, any legal rule can be said to give rise to a "right not to be tried" if failure to observe it requires the trial court to . . . terminate the trial. But that is assuredly not the sense relevant for purposes of the exception to the final judgment rule.

Midland Asphalt, 489 U.S. at 801. The Court went on to clarify its collateral order teachings, explaining that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon an explicit statutory or constitutional guarantee that trial will not occur." 489 U.S. at 801.

Petitioner insists, however, that the Court's language in *Midland* cannot be "taken literally." Pet. Br. 36. In this regard, petitioner relies mainly on *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985), in which the Court permitted immediate appeal of a district court's denial of qualified immunity for a public-official defendant despite the absence of an "explicit constitutional or statutory guarantee." But petitioner's reliance on *Mitchell* is misplaced, because qualified immunity (a) plain'y has its roots in the Constitution, and (b) has been created as a matter of public policy, not as a result of any private agreement. These essential distinctions are confirmed by *Harlow* v. *Fitzgerald*, 457 U.S. 800 (1982), which established that qualified immunity, like absolute immunity, has its source in "considerations of public policy, the importance of which should be confirmed either by reference to the common law or, more likely, our constitutional heritage and structure." [17] *Id.* at 813 n.20. By contrast, the "right to avoid trial" at issue here is, at most, a privately created right and, by petitioner's own concession, is not even grounded in—much less expressly guaranteed by—the Constitution or any statute.

[17] *Mitchell* itself confirms that the qualified immunity doctrine is based on the public status of the defendant and the concomitant importance of his ability to perform his legitimate official functions unhampered by the need to defend each decision in court:

> The conception animating the qualified immunity doctrine as set forth in *Harlow* v. *Fitzgerald* . . . is that "where an official's duties legitimately require action in which clearly established rights are not implicated, the public interest may be better served by action taken 'with independence and without fear of consequences.'" *Id.*, at 819, quoting *Pierson* v. *Ray*, 386 U.S. 547, 554 (1967) . . . . The "consequences" with which we [are] concerned . . . include "the general costs of subjecting officials to the risks of trial—distraction of officials from their governmental duties, inhibition of discretionary action, and deterrence of able people from public service." *Harlow*, 457 U.S., at 816.

Mitchell v. *Forsyth*, 472 U.S. 511, 525-26 (1985) (citation omitted). Thus, public policy reasons of profound importance to "our constitutional heritage" anchored the Court's determination that qualified immunity must imply "an *immunity from suit* rather than a mere defense to liability." *Id.* at 526 (emphasis in original). The same reasons support immediate appeal from orders denying absolute presidential immunity, *Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982), an immunity which in any event has indisputable roots in the constitutional mandate of separation of powers. *Id.* at 743.

By comparison, it is plain that no public policy assigns comparable importance to petitioner's fervent desire to avoid suit, particularly when that desire prompted petitioner to engage in fraud to procure its putative "right."

Moreover, petitioner's assurance that the Court's command in *Midland Asphalt* was not meant seriously cannot be squared with the Court's hoidings construing the collateral order doctrine since *Midland Asphalt*. In *Lauro Lines*, for example, the Court held that a district court's refusal to enforce a foreign forum selection clause was not immediately appealable. The Court quoted the "explicit statutory or constitutional guarantee" language of *Midland Asphalt* in explaining its determination that the case involved no "right not to be tried" for the purposes of the *Cohen* exception. 490 U.S. at 499 (internal quotations omitted).

Likewise, in the recent case of *Puerto Rico Aqueduct & Sewer Authority* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993), there can be no dispute that an "explicit . . . constitutional guarantee that trial will not occur" was implicated. In that case, the Court permitted interlocutory review of the denial of a motion to dismiss on Eleventh Amendment grounds, emphasizing that such a motion "by a State or its agents . . . involves a claim to a *fundamental constitutional protection* . . . ." 113 S. Ct. at 688 (emphasis added).

In short, *Midland Asphalt* clearly requires affirmance here. Petitioner's argument that the "explicit statutory or constitutional guarantee" test be disregarded is nothing short of a suggestion that the Court should disregard *stare decisis* and overrule *Midland Asphalt*, a unanimous, five-year-old precedent that has never even been questioned by any member of this Court, and indeed, has been reaffirmed since that case. "[C]onsiderations of *stare decisis* weigh heavily in the area of statutory construction, where Congress is free to change this Court's interpretation of its legislation." *Illinois Brick Co.* v. *Illinois*, 431 U.S. 720, 736 (1977); accord, *Hilton* v. *South Carolina Pub. Ry. Comm'n*, 112 S. Ct. 560, 562 (1991) (this is "a pure question of statutory construction, where the *stare decisis* doctrine is most compelling"). Petitioner offers no good reason for this Court to abandon *Midland Asphalt*, much less adopt the extreme *per se* rule petitioner suggests—apparently as a substitute for the Court's test in *Midland Asphalt*—that *any* assertion of a "right not to go to trial," including one based on private contract, merits immediate interlocutory review. See Pet. Br. 15-21.

Even if the Court were otherwise inclined to consider overruling *Midland Asphalt*, however, the Court should not adopt petitioner's expansive alternative for two reasons. First, petitioner's proposal would seriously disserve the congressional policy judgments underlying Section 1291. Second, the policy interests that petitioner seeks to

vindicate can be protected adequately through other means, including the provisions of 28 U.S.C. § 1292(b) that petitioner chose not to invoke below.

2. *Petitioner's Expansive Alternative To This Court's Requirement Of An Explicit Statutory Or Constitutional Guarantee Would Disserve Congress' Policy Judgments Underlying Section 1291.*

If petitioner's liberal interpretation of a "right not to go to trial" is accepted, then no limiting principle will constrain the application of the collateral order doctrine, because "in some sense, all litigants who have a meritorious pretrial claim for dismissal can reasonably claim a right not to stand trial." *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 524 (1988). Indeed, it is difficult to see how the district court's alleged error in setting aside the settlement agreement and reinstating the litigation requires immediate review any more than a wide variety of allegedly erroneous rulings that have never been deemed immediately appealable, even though they could equally well be characterized as "rights not to go to trial."

For example, statutes of limitations are intended to preclude litigation entirely after the expiration of the statutory period, and thus could be said to confer a "right not to go to trial" in the expansive sense used by petitioner. But the courts agree that the denial of a motion to dismiss or a motion for summary judgment based on a statute of limitations (extended as appropriate by tolling, discovery rules, etc.) is not immediately appealable. See *United States* v. *Weiss*, 7 F.3d 1088 (2d Cir. 1993); *Broan Mfg. Co.* v. *Associated Distribs., Inc.*, 932 F.2d 1146 (6th Cir. 1991); *United States* v. *Rossman*, 940 F.2d 535 (9th Cir. 1991); *United States* v. *Davis*, 873 F.2d 900 (6th Cir.), *cert. denied*, 493 U.S. 923 (1989); *United States* v. *Levine*, 658 F.2d 113 (3d Cir. 1981).

Similarly, a defense based on a court's lack of personal or subject matter jurisdiction appears to confer a right not to stand trial before that court, "[b]ut denial of a

motion to dismiss, even when the motion is based on jurisdictional grounds, is not immediately reviewable." *Catlin* v. *United States*, 324 U.S. 229, 236 (1945); see also *Lauro Lines*, 490 U.S. at 501 ("a claim that the trial court lacked personal jurisdiction over the defendant" is "adequately vindicable" on appeal after final judgment).

The same can be said of a contractual provision mandating arbitration of disputes,[18] as well as any other of the almost limitless variety of statutory and common law defenses to claims. As the Third Circuit observed in *Transtech Industries, Inc.* v. *A & Z Septic Clean*, 5 F.3d 51, 58 (3d Cir. 1993), *petition for cert. filed*, 62 U.S.L.W. 3429 (U.S. Dec. 16, 1993) (No. 93-960), "If settlor-defendants had a right to an appeal, it would be difficult to deny one to other litigants who can assert the benefit of such affirmative and dispositive defenses as claim or issue preclusion, statute of limitations, lack of subject matter jurisdiction, and the like." Petitioner offers no basis for distinguishing those "rights not to go to trial" that have no statutory or constitutional basis from the one it seeks to establish.[19] Petitioner's approach must be re-

[18] Of course, Congress has recently enacted legislation specifying when an order concerning an arbitration clause is immediately appealable. *See supra* p. 13. Plainly, Congress is fully capable of creating a statutory exception to Section 1291 when it believes public policy considerations are sufficiently powerful to outweigh the "firm congressional policy against . . . 'piecemeal' appeals" that is expressed in the final judgment rule. *Abney* v. *United States*, 431 U.S. 651, 656 (1977). Petitioner's arguments about "the strong public policy supporting the negotiated resolution of disputes," Pet. Br. 22, are therefore more properly addressed to Congress than to this Court.

[19] Petitioner may argue in response that no such "right not to go to trial" would be involved where, for example, the defendant asserted that the court lacked jurisdiction, perhaps because the defendant would not have "bargained for," Pet. Br. 21, that right. If so, petitioner's approach plainly has the problematic effect of elevating rights based on private agreements over rights created by federal law. This is contrary to logic as well as to the law and good

jected, "lest a floodgate be opened that brings into the exception many pretrial orders."[20] *Switzerland Cheese Ass'n* v. *E. Horne's Market*, 385 U.S. 23, 24 (1966) (discussing 28 U.S.C. § 1292(a)(1)). Concerns about judicial economy and efficiency are simply too strong to permit interlocutory review in such circumstances.[21] See *Transtech Indus.*, 5 F.3d at 58 (although there is value to litigant in avoiding trial, "the benefits of the final-judgment rule, including discouragement of piecemeal appeals, efficient utilization of judicial resources, and preven-

policy, as discussed more fully below, *infra* pp. 22-25. And petitioner's invocation of the beneficial effects of privately negotiated settlements of disputes cannot justify a different result. As discussed below, our judicial system values settlement, but it condemns settlement agreements induced by fraud. *See infra* pp. 22-23.

[20] According to the Federal Judicial Center, the six-year period 1987 through 1992 has seen a nearly 40 percent increase in the number of appeals pending in the federal courts of appeals. The increase in the number of appeals filed was nearly 35 percent. Administrative Office of the United States Courts, *1992 Federal Court Management Statistics* 31 (19[illegible]). The Federal Courts Study Committee concluded that the appellate caseload "crisis is caused partly by an increase in district court cases but mainly by a heightened proclivity to appeal district court terminations." *Report of the Federal Courts Study Committee* 110 (1990).

[21] Petitioner's *amicus* attempts to demonstrate that some patent cases are so complex that interlocutory appeal may conserve judicial resources. *See* Br. of *Amicus Curiae* Spectra Physics, Inc. at 6-7. This may be true in a very few cases, contrary to the usual consequence of piecemeal review. But identifying a few such cases does not justify adopting petitioner's *per se* rule of interlocutory appeal. Rather, this order must be viewed as a part of a *class* of orders. *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 529 (1988). In *Richardson-Merrell Inc.* v. *Koller*, for example, the Court concluded as much with respect to orders disqualifying counsel. The Court held that "[e]ven if some orders disqualifying counsel are separable from the merits of the litigation, many are not . . . . [A]s a class, [they therefore] are not sufficiently separable from the merits to qualify for interlocutory appeal." 472 U.S. 424, 439-40 (1985). This conclusion applies with equal force here. In any event, statutory means exist to review exceptional cases. *See infra* p. 26.

tion of delay . . . take precedence") (citing *Van Cauwenberghe*, 486 U.S. at 524). These concerns apply with particular force here, where the "right" denied petitioner "has been created by [a] private agreement" that the district court found to have been induced by fraud. *Lauro Lines*, 490 U.S. at 503 (Scalia, J., concurring) ("We have made that judgment when the right . . . has been created through jurisdictional limitations established by Congress . . . . The same judgment applies—if anything, *a fortiori*—when the right has been created by private agreement").

3. *Petitioner's Policy Arguments Provide No Basis For Ignoring The Rule Articulated in* Midland Asphalt.

Ignoring this precedent and the public policy that supports it, petitioner argues in dramatic hyperbole that the policy "underlying the enforceability of agreements not to litigate would be completely undermined if enforcement had to await the end of the very litigation sought to be avoided." Pet. Br. 26. Petitioner's public policy claims are flawed for several reasons.

First, there is indisputably no "strong policy" promoting fraud or misrepresentation—or threats and tactics to prolong litigation, another method employed by petitioner, a corporation literally thousands of times larger than respondent—in the pursuit of settlement. Rather, the opposite is true: an agreement to arbitrate disputes or to litigate in a particular forum is not enforceable if such agreement is "the product of fraud or coercion." *Scherk* v. *Alberto-Culver Co.*, 417 U.S. 506, 519 n.14 (1974); accord *Prima Paint Corp.* v. *Flood & Conklin Mfg. Co.*, 388 U.S. 395, 403-04 (1967). The law has long condemned fraud, see *James Boyce's Executors* v. *Grundy*, 28 U.S. 210, 220 (1830) ("the law . . . abhors fraud"), and this Court has counseled that "courts should remain attuned to well-supported claims that the agreement . . . resulted from the sort of fraud or overwhelming economic power that would provide grounds 'for the revocation of any contract,'" *Mitsubishi Motors Corp.* v. *Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 627 (1985) (cita-

tions omitted). The Court should not reward petitioner's fraud by permitting interlocutory review of the district court's order.

Second, denying interlocutory appeal in cases such as this will not, as petitioner suggests, discourage legitimate settlement of disputes.[22] As matters stand now, each party to a settlement negotiation can assume good faith and know that if the other party engages in fraud, there is a reasonably adequate remedy under Rule 60(b). Thus, the current system works effectively to encourage settlements.[23] Under petitioner's approach, by contrast, the cost of undoing a fraudulent settlement will be much greater because of the availability of an interlocutory appeal even before litigation on the underlying merits. Thus, the initial negotiations will be skewed by a party's legitimate concern that, if duped, he or she may be precluded from obtaining adequate relief because he or she lacks the resources to run the gauntlet of harassing litigation. This distortion

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[22] Nothing in the district court's order prevents the parties from negotiating a different settlement untainted by petitioner's fraud. *See Helmac Prods. Corp.* v. *Roth Plastics Corp.*, No. 90-1890, 1990 WL 205103, at *1 (6th Cir. Dec. 14, 1990) (appeal from order vacating prior order of dismissal, reinstating case, and denying motion to enforce settlement agreement, and holding that case did "not fall within the Cohen collateral order exception. The district court's order has not precluded the parties from further attempts at settlement").

[23] Commentators widely agree that between 60 and 70 percent of all civil suits filed are resolved by settlement. *See, e.g.*, Janet C. Alexander, *Do the Merits Matter? A Study of Settlements in Securities Class Actions*, 43 Stan. L. Rev. 497, 524-25 (1991) ("in the neighborhood of 60 to 70 percent" of civil suits settled); Theodore Eisenberg & Stewart J. Schwab, *What Shapes Perceptions of the Federal Court System?*, 56 U. Chi. L. Rev. 501, 532 (1989) (73 percent of all non-civil-rights cases settled); Judge Harry T. Edwards, *Alternative Dispute Resolution: Panacea or Anathema?*, 99 Harv. L. Rev. 668, 670 & n.8 (1986) (approximately 90 percent of all cases resolved before trial, 70 percent by settlement); Judith Resnik, *Managerial Judges*, 96 Harv. L. Rev. 374, 405 & n.126 (1982) (8.2 percent of civil suits terminated by trial, small but unascertainable number dismissed for legal defects, remainder settled).

of the current negotiating process certainly will not enhance the prospects for settlement. To the extent it deters or delays settlements, the policy argument advanced by petitioner is in fact *undermined* by the rule it urges.

Moreover, petitioner's argument assumes that a lack of immediate appeal will lead to a large increase in the number of parties to settlement agreements who, without good reason, seek to have those agreements set aside. It also assumes that district courts will permit settlement agreements to be set aside as a routine matter. These assumptions are utterly contrary to logic, experience, and the facts of this case.[24]

Only under unusual circumstances—such as when one party engages in rank fraud—will the other party to a settlement seek to have the agreement set aside and litigate the matter instead. "Foregoing formal courtroom procedures, including discovery, trial, briefs, and arguments, brings substantial benefits" to *both* parties. *Janneh* v. *GAF Corp.*, 887 F.2d 432, 435 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990). A rational litigant who has already decided to obtain these "substantial benefits" will not impulsively change his or her mind, ignore the time and effort spent in coming to an agreement, and decide to incur the cost of trial.[25]

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[24] The fact that the number of attempts to set aside settlement agreements appears not to be enormous nevertheless does not lessen the consequences of the *per se* rule of appealability that petitioner urges. As discussed above, *supra* pp. 20-21, petitioner's suggested approach contains no principle to differentiate appeals of orders setting aside settlement agreements from appeals of a host of other orders denying allegedly meritorious defenses. Under petitioner's *per se* rule, therefore, an increase in attempts to obtain interlocutory review of a multitude of orders could be expected.

[25] *Cf.* Judith Resnik, *Managerial Judges*, *supra* note 23, at 405 n.126 ("Some settled cases, however, return to court when the agreement is challenged .... Nonetheless, the number of such cases is apparently small, presumably because the relationship that enables settlement normally permits the parties to resolve subsequent disputes").

And there is no reason to believe that precluding interlocutory review of orders setting aside settlement agreements will cause already heavily burdened district courts [26] abruptly to reverse course and become far more willing to issue such orders. As petitioner itself observes, "courts have routinely refused to reopen cases that have settled *except in extraordinary circumstances*." Pet. Br. 25 (emphasis added). This statement is borne out by the instant case—as well as *Grillet*, *Forbus*, and *Janneh*,[27]—all of which demonstrate that "extraordinary circumstances" do serve as the prerequisite for reinstituting previously settled litigation.[28]

In any event, for the rare case warranting immediate review, lack of an automatic interlocutory appeal will "not

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[26] *See, e.g.*, Burger, C.J., *Reducing the Costs of Civil Litigation*, 37 Rutgers L. Rev. 217 (1985); *Patsy* v. *Florida Bd. of Regents*, 457 U.S. 496, 533 (1982) (discussing "the overburdened federal court system" in context of civil rights cases) (Powell, J., dissenting); Lambros, J., *The Summary Jury Trial*, 103 F.R.D. 461, 465 (1984).

[27] Not only this case, but also *Grillet* and *Forbus*, involved the "extraordinary circumstance" of fraud in the inducement of the contract, which the district court below found based on submissions by both parties. In *Janneh*, the settlement agreement was found to have been the product of duress.

[28] Petitioner notes that the Court has "warned against judicial second-guessing" of settlements, and has "reversed decisions where the lower courts failed to give proper weight to the 'strong policy' favoring the non-judicial settlement of disputes." Pet. Br. 23. But these signals from the Court indicate nothing more than that district courts should be cautious in determining whether a settlement agreement may appropriately be set aside; the cases indicate that courts do in fact exercise appropriate caution. *See, e.g.*, *Forbus* v. *Sears Roebuck & Co.*, 958 F.2d 1036 (11th Cir.) (in case permitting interlocutory review of district court order setting aside settlement agreement on ground of fraud and reopening litigation, court affirmed decision concerning settlement agreement), *cert. denied*, 113 S. Ct. 412 (1992).

necessarily leave the client . . . without a remedy." *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 435 (1985). This Court has often recognized that both 28 U.S.C. § 1292(b) and, in certain circumstances, extraordinary writs, provide adequate avenues for appellate review where the need is pressing:

> Ultimately, if dissatisfied with the result in the District Court and absolutely determined that it will be harmed irreparably, a party may seek to have the question certified for interlocutory appellate review pursuant to 28 U.S.C. § 1292(b) . . . and, in the exceptional circumstances for which it was designed, a writ of mandamus from the court of appeals might be available.

Firestone Tire & Rubber Co. v. *Risjord*, 449 U.S. 368, 378-79 n.13 (1981).[29] In this case, of course, petitioner never even bothered to request district court certification.

In sum, petitioner has presented no convincing reason to overrule the "explicit statutory or constitutional guarantee" test set out five years ago in *Midland Asphalt*. Certainly, petitioner's proposed test, a *per se* rule of appealability for any order setting aside a settlement agreement, is not a sound alternative, as it is both ill advised as a matter of policy and unnecessary.

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[29] *Cf.* 11 C. Wright, A. Miller & E. Cooper, *Federal Practice & Procedure* § 2871, at 260 (1973) ("[t]he extraordinary writs provide sufficient relief in flagrant cases in which the lower courts have exceeded their authority under [Rule 60(b)]"). *See also Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 529-30 (1988) ("[o]ur conclusion that the denial of a motion to dismiss on the ground of *forum non conveniens* is not appealable under § 1291 is fortified by the availability of interlocutory review pursuant to 28 U.S.C. § 1292 (b) . . . [which] provides an avenue for review of *forum non conveniens* determinations in appropriate cases"); *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 435 (1985).

C. The District Court's Order Does Not Fall Within The Collateral Order Exception Because It Does Not "Resolve An Important Issue."

The second prong of the most often cited formulation of the collateral order doctrine requires that the order "resolve an important issue completely separate from the merits of the action." *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 468 (1978). This requirement encompasses the *Cohen* condition that the issue on which interlocutory appeal is sought be "too important to be denied review," *Cohen* v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541, 546 (1949). Petitioner's attempt to obtain interlocutory appeal founders on this "importance" factor.

Petitioner erroneously argues for the elimination of the "importance" inquiry that has always been a part of the collateral order doctrine. Petitioner's argument disregards not only established precedent, but also the role played by the importance requirement in preserving the narrowness of the collateral order doctrine. It is a requirement that has been a consistent mainstay of the collateral order rule since *Cohen* itself was decided over 40 years ago. The court of appeals correctly inquired into the importance of the issue, and it correctly concluded that the enforceability of a settlement agreement is not an issue of sufficient importance to warrant expansion of the collateral order exception.

1. *There Is No Reason To Discard The "Importance" Requirement, Which Is A Vital Part Of The Collateral Order Doctrine That Has Been Applied Consistently By This Court And The Courts Of Appeals.*

Petitioner argues for the first time to this Court that the importance requirement is not a proper part of the test for an appealable collateral order.[30] See Pet. Br.

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[30] Because petitioner never presented this argument to either the district court or the court of appeals, the argument has been

28-38. Petitioner's novel argument fails to take account of the fact that "[t]he importance of the right asserted has always been a significant part of [the Court's] collateral order doctrine." *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 502 (1989) (Scalia, J., concurring). Indeed, this Court's collateral order doctrine cases have consistently repeated the requirement that the issue on which appeal is sought be "too important to be denied review." *Cohen*, 337 U.S. at 546, *quoted in, e.g., Puerto Rico Aqueduct & Sewer Auth.* v. *Metcalf & Eddy, Inc.* 113 S. Ct. 684, 687 (1993); *Van Cauwenberghe*, 486 U.S. at 522-27; *Richardson-Merrell*, 472 U.S. at 430-31; *Coopers & Lybrand*, 437 U.S. at 468; and *Abney* v. *United States*, 431 U.S. 651, 658-59 (1977). To be sure, the Court's decisions tend not to turn solely on the "importance" element. But the importance of the issue on which appeal is granted is almost always self-evident, particularly in recent cases.

The Court reiterated and applied the "importance" requirement most recently in *Puerto Rico Aqueduct & Sewer Authority* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993). That case presented the question whether interlocutory appeal could be had from an order denying a motion to dismiss on Eleventh Amendment grounds. The Court began its analysis by reciting the *Cohen* factors—including the requirement that the issue be "too important to be denied review." 113 S. Ct. at 687 (quoting *Cohen* at 546). The Court's conclusion that the district court's order met all of the *Cohen* factors rested in part on the demonstrable importance of the issue: "a motion by a State or its agents to dismiss on Eleventh Amendment grounds involves a claim to a fundamental constitutional protection . . . ." 113 S. Ct. at 688. And the Court cited Justice Scalia's concurrence in *Lauro Lines*, which discussed exclusively the requirement that the right at issue

waived. *Taylor* v. *Freeland & Kronz*, 112 S. Ct. 1644, 1649 (1992); *Delta Air Lines, Inc.* v. *August*, 450 U.S. 346, 362 (1981); *Adickes* v. *S.H. Kress & Co.*, 398 U.S. 144, 147 n.2 (1970).

be "*sufficiently important* to overcome the policies militating against interlocutory appeals." 490 U.S. at 503, *cited in Puerto Rico Aqueduct*, 113 S. Ct. at 688 (emphasis added).

The plainly important issues on which the Court has permitted appeal under the collateral order doctrine have included the Double Jeopardy Clause, *Abney* v. *United States*, 431 U.S. 651 (1977); the Speech or Debate Clause, *Helstoski* v. *Meanor*, 442 U.S. 500 (1979); absolute Presidential immunity, *Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982); a district court's "refusal to adjudicate the merits," *Moses H. Cone Memorial Hosp.* v. *Mercury Constr. Corp.*, 460 U.S. 1, 12 (1983); and qualified immunity, *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985). There can be no doubt that the "importance" component has played an integral part in this Court's collateral order doctrine jurisprudence.[31]

Petitioner, however, would apparently have the Court overrule more than a dozen cases applying the *Cohen* factors over the past 40-plus years, despite the fact that *stare decisis*, as already noted,[32] is particularly weighty in the area of statutory construction. The only reason petitioner offers for this startling result is petitioner's insistence that "deciding which types of cases are 'important

[31] The very narrow sweep of the "importance" requirement is further demonstrated by the large number of nontrivial issues which the Court has *refused* to review on an interlocutory appeal. Such issues include a dismissal motion based on a forum-selection clause, notwithstanding "the strong federal policy favoring the enforcement of foreign forum-selection clauses" *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 500-01 (1989) (citing *The Bremen* v. *Zapata Off-Shore Co.*, 407 U.S. 1 (1972)); violation of the Federal Rules of Criminal Procedure's grand jury secrecy requirements, *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794 (1989); a claim of immunity from service of process, *Van Cauwenberghe* v. *Biard*, 486 U.S. 517 (1988), and orders disqualifying counsel in civil cases, *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424 (1985).

[32] *See supra* p. 18.

enough' " to merit interlocutory appeal is an enterprise "strangely foreign to accepted notions of jurisdiction and the respective roles of Congress and the Federal Courts." Pet. Br. 28. However, not only has the "importance" inquiry been explicitly applied and approved by this Court in weighing the appealability of collateral orders, but also it is frequently undertaken by courts in construing other judicially created doctrines.[33] For example, Rule 10.1(c) of this Court's own Rules provides, "A petition for a writ of *certiorari* will be granted only when there are special and *important reasons* therefor . . . [such as] . . . [w]hen a state court or a United States court of appeals has decided an *important question* of federal law which has not been, but should be, settled by this Court . . . ." (emphasis added). See, *e.g.*, *Boire* v. *Greyhound Corp.*, 376 U.S. 473, 476 (1964) ("we granted *certiorari* to consider a seemingly important question of federal labor law"); *United States* v. *Standard Oil Co.*, 332 U.S. 301, 302 (1947) ("we granted *certiorari* because of the novelty and *importance of the principal question*") (emphasis added). And in a majority of courts of appeals, the rules governing a party's suggestion for *en banc* consideration provide as one basis that the case "involve[] one or more questions of exceptional importance." 5th Cir. R. 35.2.2. See also D.C. Cir. R. 35(c); 1st Cir. R. 35.1; 3d Cir. R. Addendum A, chap. 9.2; 5th Cir. R. 35.2.2; 6th Cir. R. Addendum II R. 20.8; 7th Cir. R. Practitioner's Handbook XXV(2); 10th Cir. R. 35.2.2; 11th Cir. R. 35-6; Fed. Cir. R. 35(b); and Fed. R. App. P. 35(a).

Petitioner errs when it construes the "importance" requirement as improperly affording courts unfettered license to grant or deny review. See Pet. Br. 28. To begin with,

[33] Indeed, petitioner itself argued to the court of appeals in this case that "this appeal should be heard in banc because it also involves questions of exceptional importance." Combined Petition for Rehearing and Suggestion for Rehearing in Banc at (i) & 10, filed by petitioner DEC in the Tenth Circuit (June 1, 1993).

as illustarated by the decision below[34] the "importance" requirement is simply one of several distinct requirements, *all* of which must be satisfied for the *Cohen* exception to apply. As such, it underscores the dignity and weight an issue must entail in order to qualify for immediate review under the stringent *Cohen* test.[35] See *supra* note 17. Moreover, the courts of appeals have used the importance requirement appropriately to limit, not expand, the scope of the collateral order doctrine.[36]

[34] The court of appeals' decision was based on its determination *both* that the district court's order was effectively reviewable after trial, Pet. App. 10a, and that "rights" arising out of settlement agreements are not "important" in the sense required by the collateral order doctrine. *Id.* at 6a.

[35] For instance, if the Court were rigorously to enforce the "explicit statutory or constitutional guarantee" requirement, then there would be little need to undertake a separate inquiry into "importance." Where, as here, no such right is implicated, then that ends the inquiry. Alternatively, where a statutory or constitutional right is directly implicated, it would seem extremely unlikely that the issue would be regarded as unimportant by the Court. *See infra* p. 33.

[36] There is no evidence that petitioner's fears of unfettered discretion are borne out in practice. *See, e.g. Doughty* v. *Underwriters at Lloyd's, London*, 6 F.3d 856, 863 (1st Cir. 1993) (district court's *Burford*-abstension-based remand order not immediately appealable because "the *Burford*-based decision as to which forum, state or federal, will ultimately determine arbitrability lacks the necessary high degree of importance that is demanded"); *Bauer* v. *Commerce Union Bank*, 859 F.2d 438, 440 (6th Cir. 1988) (district court's order substituting bankruptcy trustee as plaintiff in place of debtors did not decide an "important" question where argument that substitution was improper bordered on the "frivolous" and admitted "of only one answer"), *cert. denied*, 489 U.S. 1079 (1989); *United States* v. *Larouche Campaign*, 829 F.2d 250, 254 (1st Cir. 1987) (order denying motion to dismiss based on alleged grand jury violations not immediately appealable; in most cases, grand jury abuse "important enough to warrant the extraordinary step of an interlocutory appeal" is "important enough to warrant relief on direct appeal" from conviction, making effective review after final judgment available); and *United States* v. *Levine*, 658 F.2d 113, 125-29 (3d Cir. 1981) ("importance and nature of the right in-

The court of appeals' careful consideration of whether the issue presented was important enough to merit interlocutory review was thus wholly appropriate in light of both this Court's longstanding precedent and the policy underlying that precedent.[37]

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volved" in statute of limitations does not merit immediate appeal of order denying statute of limitations defense; distinguishing rights inhering in statute of limitations from constitutional rights).

[37] Apparently recognizing the weakness of its argument on the "importance" requirement, petitioner seeks to bolster its claim for immediate appeal by arguing that the district court erred. Pet. Br. 27-28. This argument is without merit. Despite the language in the opinion that "a factfinder could [find fraud]," Pet. App. 13a, the district court obviously found fraud, because it decided to reopen the litigation. If a district court does not make a specific finding on a particular fact, the reviewing court may assume that the trial court impliedly made a finding consistent with its general holding if such a finding is supported by the evidence. 9 C. Wright & A. Miller, *Federal Practice & Procedure* § 2579, at 712-13 (1971). The district court also correctly applied the standard for nondisclosure of material facts. Where there is inequality between the parties, as there was between Desktop and DEC, a national corporation thousands of times the size of Desktop, silence may constitute actionable fraud. *First Sec. Bank* v. *Banberry Dev. Corp.*, 786 P.2d 1326, 1328 (Utah 1990). "[E]ven when a party is under no duty to speak regarding a matter, if he does speak, he must speak the truth *and make a full and fair disclosure.*" *Simpson* v. *Western Nat'l Bank*, 497 P.2d 878, 880 (Wyo. 1972) (emphasis added). *See* Plaintiff's Reply to Defendant's Memorandum in Opposition to Motion to Set Aside Settlement and Withdraw Dismissal at 10, filed by petitioner DEC in district court (Nov. 9, 1992) (citing these and other cases).

In any event, if the existence of error were enough to excuse application of the final judgment rule, the rule would be meaningless. Therefore, "interlocutory orders are not appealable 'on the mere ground that they may be erroneous.'" *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 378 (1981) (footnote & citation omitted). As this Court has observed:

> Immediate review of every trial court ruling, while permitting more prompt correction of erroneous decisions, would impose unreasonable disruption, delay, and expense. It would also undermine the ability of district judges to supervise litigation.

Richardson-Merrell, 472 U.S. at 430 (citation omitted). *See also Moses H. Cone Memorial Hosp.* v. *Mercury Constr. Corp.*, 460 U.S. 1, 32 (1982) (Rehnquist, C.J., dissenting) (same).

2. *The Issue Whether A Private Settlement Agreement Is Valid And Enforceable Is Not An "Important Issue" For Purposes Of The Collateral Order Doctrine.*

The court of appeals was not only correct in concluding that the importance requirement has independent significance, the court was also correct in its application of that requirement. Among other things, the court specifically weighed the importance of enforcing settlement agreements. Reviewing this Court's collateral order decisions, the court of appeals concluded that although "encouragement of out-of-court settlements is desirable, we believe Supreme Court precedent takes a narrower view of which interests are 'important' enough to fall within the narrow confines of the *Cohen* doctrine." Pet. App. 6a.

This conclusion was plainly correct. This Court has *never* permitted immediate appeal where the right at stake arose solely out of a private contract, and for good reason: the public policy reasons that have long supported the finality requirement become even more difficult to overcome where a mere private agreement is at issue. *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 503 (1989) (Scalia, J., concurring). And it was wholly appropriate for the court's analysis of "importance" to be informed by this Court's cases requiring a constitutional or statutory basis for the claimed "right not to go to trial"; where there is a "statutory or constitutional guarantee" or a settled common-law right of equal weight, the "importance" inquiry is satisfied by the dignity and consequence that Congress and the Framers accorded to that particular right or interest.

In the context of actions brought under 42 U.S.C. § 1983, for example, courts have long distinguished between mere contractual rights and rights established by statute or the Constitution. Thus, where a person claims that a State has acted to deprive him of contractual rights arising out of a contract with that State, courts consistently hold that no claim can be maintained under 42 U.S.C. § 1983 in the absence of a concomitant constitutional deprivation. As the Second Circuit held in *S&D Maintenance Co.* v. *Goldin*, 844 F.2d 962, 966 (2d Cir. 1988), "[a]n interest in enforcement of an ordinary commercial contract with a state is qualitatively different from the interests the Supreme Court has thus far viewed as 'property' entitled to procedural due process protection." See also *Costello* v. *Town of Fairfield*, 811 F.2d 782, 784 (2d Cir. 1987); *Boston Envtl. Sanitation Inspectors Ass'n* v. *City of Boston*, 794 F.2d 12, 13 (1st Cir. 1986); *Sudeikis* v. *Chicago Transit Auth.*, 774 F.2d 766, 770 (7th Cir. 1985); *Braden* v. *Texas A&M Univ. Sys.*, 636 F.2d 90, 93 (5th Cir. 1981).

Petitioner, moreover, has offered no compelling reason for extending the protection of the collateral order doctrine to "rights not to go to trial" grounded in private contracts. For reasons explained above, petitioner's proposal runs counter to the public policy concerns underlying the statutory finality requirement, which can be better furthered through other means such as discretionary interlocutory appeals. And far from fostering settlements, the rule petitioner seeks would more likely have the opposite effect. Thus, the holding below which treated rights arising out of a purely private settlement agreement as relatively unimportant and certainly not of sufficient moment to discard the benefits of requiring finality prior to appeal, was fully consistent both with this Court's holdings and with a sensible application of the collateral order rule.

D. The "Rights" Petitioner Secured In The Settlement Agreement Are "Adequately Vindicable" On Appeal After Trial.

Finally, the district court's order fails the third prong of the *Cohen* test, which requires that the order offered for review "be effectively unreviewable on appeal from a final judgment." *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 468 (1978). Under this prong, the Court has generally required a showing that the "legal and practical value" of the rights at issue will be completely "destroyed" absent immediate review. *Midland Asphalt*, 489 U.S. at 799. Accordingly, an order will fail this part of the *Cohen* test even if the right asserted is not "perfectly secured by appeal after judgment," as long as the right is "adequately vindicable" by post-judgment review. *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 501 (1989). In this case, petitioner's rights under the settlement agreement, while perhaps not "perfectly secured" by post-judgment review, are certainly "adequately vindicable" through ordinary appellate review.

Lauro Lines is dispositive here. In that case, the Court held there was no right to immediate appeal from an order declining to enforce a foreign forum-selection clause. The petitioner in *Lauro Lines* argued that under its contract, it had a "right to trial before a tribunal in Italy, and . . . a concomitant right not to be sued anywhere else." 490 U.S. at 500. This Court observed that the effectiveness of post-trial review depended upon how one "characterize[d] the right embodied in petitioner's forum selection provision":

> The right appears most like the right to be free from trial if it is characterized . . . as a right not to be sued at all except in a Neapolitan forum. It appears less like a right not to be subjected to suit if characterized . . . as "a right to have the binding adjudication of claims occur is a certain forum."

Id. at 501 (citation omitted). The Court held that an asserted right need not be "*perfectly* secured by appeal after final judgment" in order to be considered "adequately vindicable at that stage." 490 U.S. at 501 (emphasis added). Thus, the Court found that the right of the petitioner to have an Italian court hear the case could be effectively addressed on appeal after final judgment, even though at that point the petitioner would have lost any corresponding corollary right *not* to be tried elsewhere. 490 U.S. at 501. Therefore, no appeal was available under the collateral order doctrine.

Petitioner claims that because it "secured an explicit agreement that it would not face trial on Desktop's claims," Pet. Br. 21, it possesses a right that must be vindicated before trial. However, "this Court has declined to find the costs associated with unnecessary litigation to be enough" to justify interlocutory appeal. *Lauro Lines*, 490 U.S. at 499 (quoting *United States* v. *McDonald*, 435 U.S. 850, 860 n.7 (1978)). To avoid the obvious conclusion that the only harm it could possibly suffer from the denial of interlocutory appeal would be "unnecessary litigation," petitioner—like the petitioner in *Lauro Lines*—attempts to characterize its right under the settlement agreement as a "right not to go to trial." Petitioner's claim is no more persuasive than the argument unsuccessfully advanced in *Lauro Lines*.

In assessing such claims, this Court has counseled that

> [b]ecause of the important interests furthered by the final judgment rule . . . and the ease with which certain pretrial claims for dismissal may be alleged to entail the right not to stand trial, we should examine the nature of the right asserted with special care to determine whether an *essential aspect* of the claim is the right to be free of the burdens of a trial.

Van Cauwenberghe v. *Biard*, 486 U.S. 517, 524-25 (1988) (emphasis added). Petitioner's alleged "right not to go to trial" does not stand up to such scrutiny; it can-

not fairly be said to be an "essential aspect" of the settlement agreement petitioner reached—through misleading means—with respondent.

Indeed, the agreement at issue here serves several purposes other than simply foreclosing a trial. Instead, as with all settlement agreements, a variety of substantive rights and obligations were agreed upon. Thus, petitioner bargained for and received the important right to use the tradename and trademark "Desktop Direct." J.A. vol. II (Sealed) ¶ 1 & exh. A, at 2, 7-8. See also Appellant's Brief in Support of Jurisdiction at 16, filed by petitioner DEC in the Tenth Circuit (Mar. 18, 1993) (in the settlement agreement, DEC "bargained for the right not to undergo pretrial and trial efforts *and to insure its right to use a trademark*") (emphasis added). And the settlement agreement limited the possible extent of petitioner's liability to respondent, another common purpose of settlement agreements. J.A. vol. II (Sealed) ¶ 8, at 4. See *Broussard* v. *Violet*, No. 89-56207, 1991 WL 113804, at *3 (9th Cir. June 21, 1991) (Settlement "can be said to contain two components: The right to be free from liability and the right to be free from litigation. Although a settlement contract does end litigation, its primary function is to settle the claims of right that are the subject matter of the litigation"); *cf. Carson* v. *American Brands, Inc.*, 450 U.S. 79, 86-87 (1981) (consent decree insulates parties from the " 'inevitable risk of litigation' ") (citation omitted). Thus, the rights petitioner secured by the settlement agreement are validly characterized as petitioner's ability to do business under the "Desktop Direct" tradename and the right to have its liability limited to the amount specified in the agreement. Those rights are obviously reviewable, and thus vindicable, on appeal following a final judgment.[38] See *Lauro Lines*, 490 U.S. at 501; *Van Cau-*

[38] Petitioner stretches the concept of a "right not to go to trial" by asserting that this is the principal right secured by the settlement agreement. This is false. But even if it were true, petitioner has presented no reason for the Court to ignore the narrow confines

wenberghe, 486 U.S. at 527; see also *Broussard*, 1991 WL 113804, at *3 (district court's denial of motion for summary judgment grounded on a settlement agreement not immediately appealable because the movant's rights would be vindicable on appeal after trial) (citing *Midland Asphalt*, 489 U.S. at 801). Therefore, petitioner's rights under the settlement agreement as a whole are certainly "adequately vindicable" through post-judgment appeal.[39]

This Court's decision in *Van Cauwenberghe* v. *Biard*, 486 U.S. 517 (1988), compels the same conclusion. There, the foreign-resident petitioner, who was in California in connection with criminal proceedings, was served with a summons and complaint in a civil suit arising out of the same facts that underlay the criminal charges. The petitioner unsuccessfully moved to dismiss on the ground that under the principle of specialty, he was immune from

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of the judicially created exception to the final judgment rule and permit appeal. Indeed, the narrowness of that exception dictates a presumption *against* immediate appeal; thus, where two characterizations of a right are equally plausible, the Court should select the one that will *not* permit appeal.

[39] Three other circuits have reached the same conclusion. Most recently, the Third Circuit in *Transtech Industries, Inc.* v. *A & Z Septic Clean*, 5 F.3d 51, 58 (3d Cir.), *petition for cert. filed*, 62 U.S.L.W. 3429 (U.S. Dec. 16, 1993) (No. 93-960), followed the Tenth Circuit in holding that "orders denying summary judgments on claims of immunity from trial based on releases or settlements are not appealable as *Cohen* collateral orders." In three separate cases, the Sixth Circuit has rejected attempts to appeal orders setting aside settlements or releases as "[]reviewable on appeal from a final judgment." *Henry* v. *United McGill Corp.*, No. 87-3687, 1987 WL 38181, at *1 (6th Cir. Oct. 14, 1987); *accord*, *Reeves* v. *Digital Equip. Co.*, No. 90-3063, 1990 WL 41885, at *1 (6th Cir. Apr. 11, 1990); *Helmac Prods. Corp.* v. *Roth Plastics Corp.*, No. 90-1890, 1990 WL 205103, at *1 (6th Cir. Dec. 14, 1990). Similarly, the Ninth Circuit has also held that the district court's denial of the defendant's summary judgment motion based upon a claims-waiver agreement did not involve a right that "would be destroyed if it were not vindicated before trial." *Broussard* v. *Violet*, No. 89-56207, 1991 WL 113804, at *3 (9th Cir. June 21, 1991).

service of process because his presence in the United States resulted from extradition. On appeal, this Court held that an order denying a motion to dismiss on this ground may not be appealed under the collateral order doctrine. The Court reasoned that even assuming the principle of specialty immunized the petitioner from service of process, the petitioner's rights were adequately vindicable on appeal after trial because the "right not to stand trial" for the purposes of the *Cohen* doctrine was not "an essential aspect" of the principle of specialty.[40] 486 U.S. at 525. Instead, the Court concluded that the petitioner's right "should be characterized as the right not to be subject to a binding judgment of the court," a right that can "be effectively vindicated following final judgment." *Id.* at 526-27.

The same reasoning applies squarely to this case. As in *Van Cauwenberghe*, petitioner here claims a "right not to stand trial" that, it contends, cannot be adequately vindicated by post-judgment review. Yet here, as in *Van Cauwenberghe*, avoidance of trial plainly is not an "essential aspect" of the much broader settlement agreement for reasons explained above. Accordingly, the district court's order is effectively reviewable on appeal after a trial, and therefore does not fall within the "narrow class" of immediately appealable collateral orders.

* * * *

As respondent has demonstrated, the court of appeals' decision should be affirmed for three independently sufficient reasons. First, this case involves no "right not to go to trial" for purposes of the collateral order doctrine because, as the court of appeals properly recognized, the

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[40] The Court considered the policy underlying the principle of specialty, namely, to ensure that "the receiving state does not abuse the extradition processes." 486 U.S. at 525. The Court concluded that, at least "prior to any attempt to subject the defendant to a binding judgment of the court," *id.*, this policy, though important, would not be harmed by permitting the service of process. *Id.*

collateral order doctrine requires an "explicit statutory or constitutional guarantee" that no trial will occur. Second, consistent with both precedent and the fundamental policy underlying the final judgment rule, the court of appeals correctly determined that a putative right created by a private settlement agreement does not rise to the level of importance this Court has required for immediate appeal. Finally, the court of appeals correctly held that the order did not meet the requirements of the *Cohen* test's third prong because the rights petitioner obtained through the settlement agreement can be "adequately," if not completely, "vindicated" on appeal after final judgment. In sum, the court of appeals correctly rejected petitioner's attempt to "transform the limited exception carved out in *Cohen* into a license for broad disregard of the finality rule imposed by Congress in § 1291." *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 378 (1981).

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be affirmed.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,
v.
DESKTOP DIRECT, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

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REPLY BRIEF FOR PETITIONER *

Desktop and Digital approach the question presented in fundamentally different ways.[1] Desktop begins by arguing that appeals under the collateral order doctrine are not "final within the meaning of Section 1291," Resp. Br. 8, and then proceeds to advocate a number of limitations on the doctrine that do not purport to rest in any way on Section 1291. Thus, Desktop urges that only claims based on explicit statutory or constitutional provisions, or (presumably alternatively) only claims regarded by the courts as "important enough" in some broad pub-

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* Petitioner's Rule 29.1 statement appears at Pet. ii.

[1] There is some common ground. Desktop does not dispute that the district court decision reinstating this case conclusively resolved the disputed question and that the question was completely separate from the merits. *See* Pet. Br. 11 & nn.4 & 5. Desktop had challenged both propositions below, but has abandoned those arguments before this Court.

lic ~~policy sense, s~~should be appealable under the collateral order doctrine. These may or may not be good ideas about how to draft a jurisdictional provision, but Desktop neither can nor does claim that they are rooted in the statutory provision this Court is called upon to construe.

Our approach is different. We start with the recognition that the question presented is at bottom—as this Court has consistently reiterated—a construction of Section 1291. *See* Pet. Br. 6, 28-30 (citing cases). In our view, that recognition imposes certain limits on the Court in applying the collateral order doctrine. The Court is not free judicially to craft the best or even a better test for appealability—one limited, for example, to claims based on explicit statutory or constitutional provisions, or claims regarded on an ad hoc basis as "important enough" in some broad public policy sense. Instead the test the Court applies must be grounded in the statute and the only criterion Congress wrote into the statute—finality. Whether the source of a right to avoid trial is found in the Constitution, a federal statute, a state statute, a rule, or common law has nothing whatever to do with how "final" a denial of that right may be under Section 1291, and therefore a test that focuses on the source of the right has no basis in Section 1291—the provision the Court is construing. The same is true with respect to a test drawing the appealability line on the basis of the importance of the right as a matter of public policy. Such approaches are no more legitimate than if the Court simply announced an amount in controversy threshold for appeals under the collateral order doctrine.

Desktop argues that this Court has already adopted its approach—one or the other of them, at different times—but Desktop is wrong. Make no mistake—this Court (1) has *never* denied appealability under *Cohen* because the right at issue was not based on an explicit statutory or constitutional provision, and (2) has *never* denied

appealability because it did not view the right at issue as "important enough." We made these same unqualified assertions in our opening brief, Pet. Br. 32, 36, and Desktop has come up with nothing to challenge them. What this Court *has* done is focus on whether the underlying right is in fact a right to avoid trial—that is the "critical question," *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 524 (1988), and "the heart of the issue." *Mitchell* v. *Forsyth*, 472 U.S. 511, 525 (1985).

I. THE SOURCE OF A RIGHT NOT TO BE TRIED IS IRRELEVANT TO THE FINALITY AND APPEALABILITY OF A DENIAL OF THAT RIGHT UNDER SECTION 1291 AND THE COLLATERAL ORDER DOCTRINE

There is no disputing that one sentence from this Court's opinion in *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794 (1989), supports Desktop's contention that the right to avoid trial triggering appealability under *Cohen* is a right based on an explicit statutory or constitutional provision. That is what the sentence says. By the same token, however, there can be no dispute that this sentence—repeated like a mantra throughout Desktop's brief—is not the holding of *Midland Asphalt* but instead dicta,[2] is not correct descriptively (as both Desktop in its brief (at 33) and the court below (at Pet. App. 8a) acknowledge), has (properly) not deterred at least five other Circuits from finding *Cohen* applicable in the absence of an explicit statutory or constitutional source for the claimed right, and finds no support in the concerns of finality underlying Section 1291 and the "practical construction" of that provision in *Cohen* and its progeny.

The decision in *Midland Asphalt* was based on this Court's conclusion that the explicit provision at issue

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[2] *See United States* v. *Dixon*, 113 S. Ct. 2849, 2861 (1993) ("Quoting that suspect dictum multiple times * * * cannot convert it into caselaw").

there—Federal Rule of Criminal Procedure 6(e)(2)—was not a guarantee that trial will not occur. *See, e.g.*, 489 U.S. at 802 ("The text of Rule 6(e) contains no hint that a governmental violation of its prescriptions gives rise to a right not to stand trial"). The Court at no point based its analysis on the *source* of the right asserted under Rule 6(e), but instead based its analysis on the *nature* of that right.

In fact, as we pointed out in our opening brief, Pet. Br. 36, this Court has never held the *Cohen* doctrine inapplicable because of the source of the asserted right not to be tried. In particular, the Court did not adopt such an approach in *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495 (1989), decided less than two months after *Midland Asphalt*. The asserted right not to be tried at issue in *Lauro Lines* rested on a private contract, but this Court did not dispose of the case by relying on the dictum from the then-recent *Midland Asphalt* opinion that Desktop finds so dispositive here. Instead, as it did in *Midland Asphalt* itself, the Court analyzed the nature of the right at issue, and concluded that it was not a guarantee that trial would not occur. *See* 490 U.S. at 501.

Nor can Desktop reconcile this Court's decisions in *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985), and *Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982), with its insistence that *Cohen* applies only to an "explicit statutory or constitutional guarantee" that trial will not occur. The Court in *Midland Asphalt* cited two examples of such explicit guarantees—the Double Jeopardy Clause and the Speech or Debate Clause—but the right to avoid trial based on official immunity recognized in *Mitchell* and *Fitzgerald* is in no sense based on any such explicit guarantee. There is no "Official Immunity Clause" in the Constitution. Indeed, the most that Desktop can argue is that the immunity right "has been created *as a matter of public policy*" with "roots" in the Constitution. Resp. Br. 16 (emphasis added). In fact, as noted in our opening

brief, Pet. Br. 35, this Court has fixed the source of the immunity doctrines in common law—the same source underlying Digital's right not to be tried pursuant to its contract with Desktop. Desktop concedes as much when it contends in a complete *non-sequitur* that "where there is a 'statutory or constitutional guarantee' *or a settled common-law right of equal weight*, the 'importance' inquiry is satisfied by the dignity and consequence that Congress and the Framers accorded to that particular right or interest." Resp. Br. 33 (emphasis added).

Other courts have recognized—*after Midland Asphalt*—that *Cohen* applies in the absence of an explicit statutory or constitutional source for the claimed right. The three Circuits that issued rulings in conflict with the decision below so held,[3] as have the Fourth[4] and Ninth Circuits.[5] Even the Tenth Circuit below recognized that this Court has found appealability under *Cohen* "in the absence of a constitutional or statutory guarantee." Pet. App. 8a. Most significantly, Desktop does not even attempt to explain how the source of the right not to be tried is at all related to the finality concerns underlying Section 1291 and the judicial construction of that provision embodied in the *Cohen* doctrine. *See* Pet. Br. 34-37.[6]

The main justification Desktop advances for the jurisdictional statute it would like to see this Court enact is that the collateral order doctrine should be carefully

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[3] *Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991); *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S.Ct. 412 (1992).

[4] *See James* v. *Jacobson*, 6 F.3d 233 (4th Cir. 1993).

[5] *See, e.g., Lutz* v. *Secretary of the Air Force*, 944 F.2d 1477 (9th Cir. 1991) (discussed at Pet. Br. 35 n.17); *Jackson* v. *Vasquez*, 1 F.3d 885 (9th Cir. 1993).

[6] Thus, Desktop does not explain why this purported limitation on the collateral order doctrine never appears in the standard articulation of the *Cohen* test. *See, e.g., Lauro Lines*, 490 U.S. at 498.

circumscribed to narrow the situations in which an appeal can be taken prior to the end of trial. We agree. The way this Court has pursued that objective, however, has been by focusing on "the precise contours of the right asserted," *Lauro Lines*, 490 U.S. at 501, and insisting in rigorous terms that the right be in fact a right not to be tried, rather than by imposing, *deus ex machina*, artificial limitations based on the particular source of the right or the perceived importance of the right as a matter of public policy. Only by avoiding such careful inquiry into the question whether a right not to be tried is indeed at issue is Desktop able to assert that certain defenses—based on statutes of limitations and jurisdictional defects—will cause a flood of *Cohen* appeals if Digital prevails. Resp. Br. 19.

Thus, although Desktop claims that statutes of limitations "could" be said to confer a right not to go to trial, the very cases cited by Desktop—each arising in the criminal context [7]—establish that they do not. *See United States* v. *Weiss*, 7 F.3d 1088, 1090 (2d Cir. 1993) ("The three courts of appeals that have considered this question * * * have all concluded that the statute [18 U.S.C. § 3282] does not guarantee a 'right not to be tried' and that denials of motions to dismiss indictments on statute-of-limitations grounds are, therefore, not immediately appealable").

The conclusion that " 'the limitations statute * * * creates a safeguard against unfair convictions arising from delinquent prosecutions but does not entail a right to be free from trial,' " *United States* v. *Rossman*, 940 F.2d 535, 536 (9th Cir. 1991) (quoting *United States* v.

[7] *See* Pet. Br. 18 n.9. Desktop cites only one civil case—*Broan Mfg. Co.* v. *Associated Distribs., Inc.*, 932 F.2d 1146 (6th Cir. 1991), *see* Resp. Br. 19—but the citation leaves us at a loss. Neither that opinion nor the court's prior opinion in the case, 923 F.2d 1232 (6th Cir. 1991), involved a statute of limitations defense or a collateral appeal. The case has no apparent relevance either to Desktop's argument or any other issue before this Court.

Levine, 658 F.2d 113, 126 (3d Cir. 1981)), is grounded in an understanding of the interests served by statutes of limitations. As the Third Circuit explained in its extensive examination of the issue in *Levine*:

> Limitations statutes * * * are intended to foreclose the potential for *inaccuracy* and *unfairness* that stale evidence and dull memories may occasion in an unduly delayed trial. They provide relief from extended pretrial anxieties and, by encouraging investigation of recent crimes, contribute to a rational allocation of prosecutorial resources. * * * [I]t is primarily concerns of prosecutorial fairness and promptness, *in contradistinction to insulation from repeated trials*, that underlie limitations statutes. [658 F.2d at 127 (second emphasis added).]

In light of the purposes served by statutes of limitations, the rights vindicated by these statutes are more akin to speedy trial rights, for which immediate appeal is not available under *United States* v. *McDonald*, 435 U.S. 850 (1978), than to the rights not to be tried established by the Double Jeopardy and Speech or Debate Clauses. As the *Levine* court explained, "whereas the Double Jeopardy and Speech and Debate Clauses bar the sovereign from prosecuting at all, the Speedy Trial Clause and statutes of limitations do not insulate the defendant from trial *per se*. Rather, the latter two sources of protection concede that the accused is subject to prosecution and proceed to define the permissible bounds on the timeliness of prosecution." 658 F.2d at 120. *Accord United States* v. *Davis*, 873 F.2d 900, 909 (6th Cir.), *cert. denied*, 493 U.S. 923 (1989).

Even if statutes of limitations could be said to involve rights not to go to trial, other aspects of the *Cohen* doctrine would preclude collateral appeals from denials of limitations defenses. District court decisions on such defenses "often do not conclusively determine the disputed question" because, for example, "the exact dates of con-

tinuing violations, conspiracies, or statutory tolling justified by flight from the jurisdiction, can often be properly evaluated only after development of the evidence at trial enables an accurate assessment of timeliness." *Levine*, 658 F.2d at 129, 121. In addition, "denials of motions to dismiss on statute of limitations grounds would not generally satisfy the second *Cohen* criterion" because "limitations defenses often intersect with matters that develop at trial." *Id.* at 123-124.

Similarly unavailing is Desktop's assertion that defenses based on lack of jurisdiction will flow through the "floodgates" of the collateral order doctrine if Digital prevails. Desktop claims that these defenses "appear[] to confer a right not to stand trial *before that court*." Resp. Br. 19 (emphasis added). This submission, however, continues the Tenth Circuit's surprising error in failing to recognize a key distinction drawn by this Court. As the Court has recognized, a right not to stand trial *before a particular forum* "is different in kind" from the type of claim Digital has brought here—a right "to avoid suit altogether." *Lauro Lines*, 490 U.S. at 501. The former is "adequately vindicable" after trial, *id.*; the latter is not, and is therefore immediately appealable under the *Cohen* doctrine.[8]

[8] Desktop's reliance on this Court's statement in *Catlin* v. *United States*, 324 U.S. 229, 236 (1945), that motions to dismiss are not immediately appealable, Resp. Br. 20, is a red herring. No one is suggesting that motions to dismiss are universally appealable. The question is whether the essence of the right to be vindicated by the motion is a right not to be tried. Where that is so, denials of motions to dismiss *are* immediately appealable. *See, e.g., Figueroa* v. *United States*, 7 F.3d 1405, 1408 (9th Cir. 1993) (although "[o]rdinarily denial of a 12(b)(6) motion is not a reviewable final order, * * * when a question of immunity is involved * * * we use the collateral order doctrine to exercise jurisdiction").

II. THE TENTH CIRCUIT MISAPPLIED THIS COURT'S PRECEDENTS IN RULING THAT AGREEMENTS TO TERMINATE LITIGATION WERE NOT "IMPORTANT ENOUGH" TO JUSTIFY APPEAL UNDER *COHEN* OF ORDERS REFUSING TO ENFORCE SUCH AGREEMENTS

Desktop devotes only two pages of its brief to defending the Tenth Circuit's conclusion that the enforceability of settlement agreements is not "important enough" to support appeal under the collateral order doctrine. Resp. Br. 33-34. In fact, Desktop's basic point in that cursory discussion is a reiteration of its previous point that the right sought to be vindicated must have its source in an explicit statutory or constitutional guarantee. *See id.* at 33.

We explained in our opening brief why the enforceability of agreements to terminate litigation was important enough as a matter of public policy to support appeal under *Cohen* before holding the very trial terminated by the agreement. *See* Pet. Br. 21-28. Nothing in Desktop's submission undermines that showing. In particular, we noted the critical role such agreements play in the functioning of the federal justice system. The repose ordinarily secured by settlements relieves tremendous pressure on judicial dockets and achieves significant gains for the parties. The risk of upsetting that repose is heightened, however, if parties considering an effort to undo the agreement (such as a plaintiff who comes to believe that it should have gotten more money) know that an initial decision in their favor may not be reviewed immediately but rather will restore the leverage they previously compromised away. Permitting interlocutory appeal of decisions setting aside such agreements and reinstating litigation serves the interests in efficient resolution of disputes underlying Section 1291.

At the same time, we also noted in our brief that nothing in this Court's precedents invited such a broad public

policy debate in applying the collateral order doctrine. On that point, Desktop zealously attacks a straw man of its own creation when it criticizes Digital for advocating rejection of the "importance" requirement and the overruling of "a dozen cases applying the *Cohen* factors over the past 40-plus years." Resp. Br. 29. We need not and do not do any such thing. Our point is that the Tenth Circuit's understanding of the "importance" inquiry went far afield from anything this Court had ever done under *Cohen*. That is what we said in our opening brief, *see* Pet. Br. 8 ("the Court has never viewed 'importance' in the broad public policy sense embraced by the Tenth Circuit"), and Desktop has no rejoinder to our flat assertion that the Court has never once in 45 years denied appealability under *Cohen*—as the Tenth Circuit did here—because of a conclusion that the underlying right to avoid trial was not "important enough." *See* Pet. Br. 32 & n.15 (citing cases making same point). This confirms that importance in the sense understood by the Tenth Circuit has not been an element of the *Cohen* test. A recognition of that fact hardly requires "overruling" any of this Court's precedents.[9]

[9] Desktop suggests in passing that Digital's argument concerning the scope of the importance element of the *Cohen* test has been waived because it was not presented to the district court or the court of appeals. *See* Resp. Br. 27 n.30. Desktop is wrong. First, there was of course no occasion to present *any* argument on appealability to the district court; the issue by definition only arises on appeal. Second, Digital indisputably argued before the Tenth Circuit below that the enforceability of agreements to terminate litigation met any "importance" requirement under *Cohen*, *see, e.g.*, Appellant's Memorandum Brief in Support of Jurisdiction, at 9-10; the lower court's decision—applying such a requirement in a way this Court never has—highlighted the logically antecedent question of the scope of the requirement for the first time. Third, each of the cases cited by Desktop involved an effort to raise a new "question presented" for the first time in this Court. That is not the issue here; the only question presented remains the one litigated before the court of appeals and posed in Digital's petition—whether the collateral order doctrine applies in this case.

Desktop attempts to make its point about "importance" by selectively citing only those collateral order cases that happened to involve claims that would generally be regarded as important. *See, e.g.*, Resp. Br. 29 (citing double jeopardy, speech or debate, and official immunity cases). Desktop simply ignores the various other situations in which this Court has upheld appeal under *Cohen* where the rights at issue do not remotely rise to the same level, including *Cohen* itself (right under state law to have plaintiff post bond), *Swift & Co.* v. *Compania Colombiana del Caribe*, 339 U.S. 684 (1950) (attachment rights under admiralty practice), *Gillespie* v. *United States Steel Corp.*, 379 U.S. 148 (1964) (restricting suit to Jones Act claims), and *Eisen* v. *Carlisle & Jacquelin*, 417 U.S. 156 (1974) (order allocating costs in class action). And of course Desktop cannot look to any analysis of "importance" in these cases to explain the results, because this Court has not analyzed the issue of appealability under the collateral order doctrine—whether upholding or denying appealability—in terms of importance.[10]

Desktop's response to our contention that it is inappropriate for federal courts to decide whether jurisdiction exists under 28 U.S.C. § 1291 based on their view of the public policy "importance" of the issue simply highlights the seriousness of the problem. Desktop notes that courts frequently assess importance in establishing jurisdiction, citing this Court's certiorari practice and the practice of the courts of appeals in weighing suggestions for *en banc* consideration. Resp. Br. 30. The critical and dispositive distinction, of course, is that litigants have no right to *en banc* review or review on certiorari. *See, e.g.*, S. Ct.

[10] One reason for this is the indeterminacy of such a broad inquiry. *See* Pet. Br. 32-33; *Sibbach* v. *Wilson & Co.*, 312 U.S. 1, 14 (1941) (rejecting argument that distinction between substance and procedure should turn on "importance" of affected rights, observing that "[i]f we were to adopt the suggested criterion of the importance of the alleged right we should invite endless litigation and confusion worse confounded").

Rule 10.1 ("A review on writ of certiorari is not a matter of right, but of judicial discretion"). In contrast, an appeal under the *Cohen* doctrine is an appeal as of right. It is one thing for the courts to apply their own notions of importance when expressly directed to do so, and quite another to do so when construing a statute that grants an appeal as of right and does not purport to confer on the judiciary the authority to limit appealability based on importance (as opposed to finality).

III. DIGITAL'S RIGHT IS THE RIGHT TO AVOID TRIAL

A. Looking ahead to the merits, Desktop contends that Digital's claim cannot be characterized as a right not to be tried because the Settlement Agreement conferring that right was procured by fraud. Desktop premises this entire argument on the assertion that "the district court obviously found fraud," Resp. Br. 32 n.37, weaving its view of disputed facts into its Question Presented and its Statement of the Case and asserting its conclusion repeatedly in its argument. *See, e.g.*, Resp. Br. 8, 11, 17, 21, 22, 23, 24, 32. The premise is both utterly false and beside the point.

If anything is clear from the district court's decision, it is that the court did *not* find fraud. The district court said only "that a fact finder *could* determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." Pet. App. 13a (emphasis added). It did not itself make such a finding. The district court then rescinded the Settlement Agreement and reinstated the litigation—conclusively deciding the disputed question, *see* Pet. Br. 11 n.4—on the basis of this plainly erroneous legal standard. *Id.* at 27-28.

Desktop attempts to support its erroneous premise that the district court "obviously" found fraud by citation to general principles enunciated in 9 C. Wright & A. Miller,

Federal Practice and Procedure § 2579, at 712-713. Thus, it claims, "[i]f a district court does not make a specific finding on a particular fact, the reviewing court may assume that the trial court impliedly made a finding consistent with its general holding if such a finding is supported by the evidence." Resp. Br. 32 n.37. There is no need to quibble with the principle; it has no application here. The district court did not simply fail to make express a finding that was implicit in its opinion; it rather plainly made clear that its decision to reopen the case was based on what a finder of fact *might* conclude. That is not a gap in findings of fact that may be filled by an appellate court; it is an error in the applicable legal *standard*.[11]

Far more perplexing, however, is the question why Desktop thinks it matters whether the district court found that the Settlement Agreement was procured by fraud. Desktop seems to believe that if it is ultimately entitled to prevail on the merits, no appeal is necessary. But the very purpose of the appeal is to determine the propriety of the district court's decision. It is for this reason that the Court, in determining whether or not to permit collateral appeals, has evaluated the nature of the right sought to be vindicated and not the merits of the particular claim. Of course it is true that some settlement agreements will be procured by fraud, and that decisions to upset them should be affirmed, just as it is true that

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[11] As noted in *Gulfstream Aerospace Corp.* v. *Mayacamas Corp.*, 485 U.S. 271, 290-292 (1988) (Scalia, J., concurring), some courts and judges have suggested that appeal under the collateral order doctrine should not be available when the claimed error concerns alleged abuse of discretion. For the reasons noted, Digital's contention on appeal involves a question of law—whether the district court applied the correct legal standard when it overturned the Settlement Agreement and reinstated the litigation because "a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." Pet. App. 13a.

some denials of the qualified immunity or double jeopardy defenses will be correct and should be affirmed so that trial may proceed. The important question for purposes of decision here is whether that determination should be made before the trial occurs; where, as here, the appellant seeks to vindicate a right not to be tried, this Court has recognized that the determination must take place before trial if it is to take place at all. The question whether the appellant will ultimately prevail is simply irrelevant to the issue of appealability.[12]

B. Desktop argues that the right not to face trial was not an "essential aspect" of the Settlement Agreement because the Agreement also served other purposes, such as securing for Digital the use of the disputed trademark and a limit on its liability to respondent. Resp. Br. 37-38. This argument is contrary not only to the terms of the Settlement Agreement and common practice when entering such agreements, but also to this Court's decisions.

As we have explained, the right to avoid trial was an express and essential element of the Settlement Agree-

[12] See *United States* v. *Wood*, 950 F.2d 638, 641-642 (10th Cir. 1991) ("The crux of the government's argument is that we do not have appellate jurisdiction because defendant has not raised a colorable double jeopardy claim. The government's argument confuses our jurisdictional authority to hear an appeal with our supervisory power summarily to dismiss frivolous claims. Every district court order denying a double jeopardy claim is, by its nature, a final decision due to the collateral order doctrine. The summary determination of whether a defendant has raised a colorable claim is not necessary to our jurisdiction").

In any event, as even respondent notes, settlement agreements may be set aside only in extraordinary circumstances. Resp. Br. 25. Appeals from such extraordinary decisions of the district courts are not likely, as a class, to be frivolous. Indeed, in two of the three court of appeals decisions upholding appealability under the collateral order doctrine of orders refusing to enforce agreements not to litigate, the appellate court overturned the district court decision after reaching the merits. *See Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991).

ment between the parties. Pet. Br. 13-14 & n.7. Indeed, the agreement itself established the relative values of the rights it secured; Digital paid a specified amount for acquisition of the trademark and fifteen times that amount "for the dismissal of the * * * lawsuit and a waiver of all damages * * *." J.A. II at 4.[13] Payment of the funds by Digital was expressly conditioned on notification that the suit had been dismissed, with prejudice to any claim Desktop may have had to bring future actions. *Id.* Such termination of litigation was obviously of high value to Digital, and was an "essential aspect" of the Settlement Agreement.

This Court's cases have not demanded—as Desktop implicitly does—that the right to avoid trial be the *only* interest at issue for there to be review under the collateral order doctrine. Rather, the cases reflect the reality that, where it exists, the right to avoid trial necessarily secures the right to be free from any liability that might result from trial. Thus, for example, it is well-settled that the Double Jeopardy Clause secures not only a right against multiple prosecutions for the same offense but also against the possible result of those prosecutions, *i.e.*, multiple punishments for the same offense. *See, e.g.*, *United States* v. *Dixon*, 113 S. Ct. 2849, 2860 (1993) ("We have often noted that the [Double Jeopardy] Clause serves the function of preventing *both* successive punishment and successive prosecution") (emphasis added). Similarly, the Speech or Debate Clause protects against trial *and* liability. *Gravel* v. *United States*, 408 U.S. 606, 615 (1972) (accepting as "incontrovertible" the proposition that Clause "at the very least protects [a Senator] from criminal or civil liability and from questioning else-

[13] The fact that dismissal and waiver of damages were valued together demonstrates, as we explain below, that the right to be free from trial always vindicates other underlying interests; this Court has not, however, found that the existence of such other interests in tandem with the right to avoid trial defeats the opportunity for collateral review.

where than in the Senate"). And "[a] litigant who asserts an immunity from suit is asserting two rights: first, a right to be free of litigation; second, a right to be free of any need to pay damages." *Securities and Exchange Commission* v. *Quinn*, 997 F.2d 287, 290 (7th Cir. 1993). For each of these claims, this Court has found that the existence of the right not to be tried, in tandem with other interests, permitted collateral review, for it was that right that could not be adequately vindicated on review after final judgment. *See Mitchell* v. *Forsyth*, *supra*; *Helstoski* v. *Meanor*, 442 U.S. 500 (1979); *Abney* v. *United States*, 431 U.S. 651 (1977).

Respondent's reliance on *Lauro Lines* and *Van Cauwenberghe* v. *Biard*, 486 U.S. 517 (1989), Resp. Br. 35 36. 38-39, is seriously misplaced. In *Lauro Lines*, this Court drew the critical distinction repeatedly ignored by Desktop between an entitlement to avoid suit altogether and an entitlement to be sued only in a particular forum. While the latter right is "adequately vindicable" after trial, 490 U.S. at 501, by reversing a judgment and ordering that the trial occur in the proper forum, the former right is completely destroyed once the trial occurs. This case, as we have explained, falls in the former category.

The decision in *Van Cauwenberghe* rested on the conclusion that "the right not to be burdened with a civil trial itself is not an essential aspect of" the protection afforded by the principle of specialty. 486 U.S. at 525. That conclusion, in turn, was based on an examination of the nature of the right asserted. Because the principle of specialty "fundamentally bears on treaty obligations between states," the conduct of a private civil trial does not significantly implicate the interests served by the doctrine. *Id.* As the Court explained, the "mere conduct of a private civil trial" would not be viewed as a violation of the rights secured by the principle of specialty. *Id. See also id.* at 526 ("a right not to stand trial in a civil suit is not an essential aspect of a claim

of immunity under the principle of specialty"). For the reasons explained above, the right to avoid trial is the primary interest to be vindicated here.

IV. DIGITAL WAS NOT REQUIRED TO PROCEED UNDER SECTION 1292 TO PERFECT ITS APPEAL UNDER SECTION 1291 AND THE COLLATERAL ORDER DOCTRINE

Desktop erroneously suggests that the collateral order doctrine should be unavailable because the procedure of 28 U.S.C. § 1292(b) "provide[s] [an] adequate avenue[] for appellate review where the need is pressing." Resp. Br. 26. Section 1292(b) provides neither a necessary prerequisite nor an adequate alternative to appeal under *Cohen*.

Because an appeal under the *Cohen* doctrine is an appeal as of right under Section 1291, Section 1292(b) is arguably wholly unavailable where the collateral order doctrine permits appeal. *See* 9 J. Moore, B. Ward & J. Lucas, *Moore's Federal Practice* ¶ 110.22[2], at 267 (Section 1292(b) certification "does not apply to orders that do not determine the entire litigation but that are nevertheless 'final' for purposes of appealability by virtue of * * * the *Cohen* rule * * *"). This case, of course, presents no occasion for the Court to determine whether Section 1292(b) certification is *unavailable* where *Cohen* applies; it is enough for present purposes that a request for certification is *unnecessary* to a *Cohen* appeal. As we explained in our opening brief, Pet. Br. 30-31 n.14, that much is settled, and Desktop has identified no case holding to the contrary.

Thus, Digital's decision to pursue an appeal under the *Cohen* doctrine rather than the doubly-discretionary certification route of Section 1292(b) was far from "inexplicabl[e]," Resp. Br. 13, but was a reasonable decision grounded in well-settled law. It was established as Digital perfected its appeal to the Tenth Circuit that the court—like other courts—viewed appeal under the *Cohen*

doctrine and appeal under Section 1292(b) as separate routes to appeal.[14] Under all of the reported cases decided up to that time—*Grillet*, *Forbus*, and *Janneh*—Digital was entitled to appeal as of right under Section 1291 and the *Cohen* doctrine. In these circumstances, there should be no mystery as to why it chose that route and did not seek certification under Section 1292(b).

It is not at all clear, moreover, that the unnecessary certification was even available in the circumstances of this case. A prerequisite to appeal under Section 1292(b) is a determination by the district court that its order "involves a controlling question of law as to which there is substantial ground for difference of opinion." This requirement mandates that "the order involve a clear-cut question of law against a background of determined and immutable facts." *Moore's*, *supra*, ¶ 110.22[2], at 275. Thus, courts have determined that certification is generally not available where the issue is essentially a factual one.[15] Here, the district court had disposed of the issues before it in one sentence of its order. It offered no legal analysis, holding only that "a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." Pet. App. 13a. It was unlikely that the district court would find this determination, bound up in the factual allegations presented to it, to have satisfied the statutory pre-

[14] The Tenth Circuit has long characterized Section 1292(b) and *Cohen* as alternative means of appeal. *See, e.g., Kearns* v. *Shillinger*, 823 F.2d 399, 400-401 (10th Cir. 1987); *Hellerstein* v. *Mr. Steak, Inc.*, 531 F.2d 470, 472 (10th Cir.), *cert. denied*, 429 U.S. 823 (1976).

[15] *See, e.g., Clark-Dietz & Assocs.* v. *Basic Construction Co.*, 702 F.2d 67, 69 (5th Cir. 1983) (declining to accept appeal because questions raised "appear to be merely fact-review questions inappropriate for § 1292(b) review"); *Department of Economic Development* v. *Arthur Andersen & Co.*, 683 F. Supp. 1463, 1487 (S.D.N.Y. 1988) (refusing to certify "fact-dependent" issue for appeal).

requisite to certification under Section 1292(b). Thus, pursuit of the certification route cited by Desktop was not only unnecessary to Digital's appeal, but also was likely to be futile as a practical matter.[16]

CONCLUSION

For the foregoing reasons, and those in petitioner's opening brief, this Court should reverse the decision below.

Respectfully submitted,

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[16] Moving for certification when a *Cohen* appeal is available is not only wholly unnecessary and perhaps inappropriate in the circumstances of an individual case but is also fraught with strategic risks. One circuit has held that a motion requesting a district court to amend an order to include a certification under Section 1292(b) "indicates that defendants considered certification a prerequisite to appealability" and cited that fact against the putative appellants. *Chicago Housing Tenants Organization, Inc.* v. *Chicago Housing Auth.*, 512 F.2d 19, 21-22 (7th Cir. 1975).

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No. 93-405

IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,
vs.
DESKTOP DIRECT, INC.
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

BRIEF ON BEHALF OF *AMICUS CURIAE* SPECTRA-PHYSICS, INC. and SPECTRA-PHYSICS, SCANNING SYSTEMS, INC. IN SUPPORT OF PETITIONER

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Spectra-Physics Inc. and its wholly owned subsidiary Spectra-Physics Scanning Systems, Inc. hereby files its *Amicus Curiae* brief in support of Petitioner Digital Equipment Corporation in the above-identified case.

Consent to the filing of this brief has been requested from and granted by Petitioner and Respondent through their respective attorneys.

I.

INTEREST OF *AMICUS CURIAE*

Spectra-Physics, Inc. and its wholly-owned subsidiary, Spectra-Physics Scanning Systems, Inc. (hereinafter, collectively, "Spectra-Physics") are high-technology companies engaged in the commercial manufacture and development of lasers and devices employing laser technology. As is typical of high-technology companies, Spectra-Physics owns a substantial number of patents and the same is true of its direct competitors. Thus, Spectra-Physics and its competitors have, from time to time, had occasion to assert their patents against each other. Some such assertions result in litigation and some such litigation goes to final judgment.[1] However, such patent disputes are more often settled without the initiation of litigation and, even when patent litigation is initiated, the overwhelming majority of patent disputes are settled prior to trial.

Spectra-Physics is, at present, involved in one such patent dispute in which, after litigation had been underway for some time, a settlement was achieved and agreed upon. However, its adversary denied that a settlement agreement existed (on the assertion that there had not been a finalization of the agreement) and the District Court refused to enforce the settlement agreement. Spectra-Physics thereupon took an immediate appeal to the Federal Circuit Court of Appeals, *Spectra-Physics, Inc. v. Symbol Technologies, Inc.*, Appeal No. 93-1134, under the collateral order exception to the final judgment rule, *Cohen v. Beneficial Industrial Loan*

[1] *E.g., Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 954 (1987).

Corp., 337 U.S. 541 (1949). This appeal has been argued and is currently under submission at the Federal Circuit. The appellee has contested appellate jurisdiction relying, in part, on the appellate decision in the present case, reported as *Desktop Direct, Inc. v. Digital Equipment Corp.*, 993 F.2d 755 (10 Cir. 1993).

Spectra-Physics supports the position of Digital Equipment Corp., petitioner herein, that a District Court decision refusing to enforce a settlement agreement should be immediately appealable under the collateral order exception to the final judgment rule prescribed in *Cohen*. A ruling by this Court in the present case that immediate appeality is not warranted would have an adverse impact on the public policy interest favoring settlement of patent infringement cases, an impact that might not be discernable from the record in *Desktop*. Accordingly, Spectra-Physics urges that the appellate decision in *Desktop* be reversed for the reasons set forth below.

II.

SUMMARY OF ARGUMENT

The refusal of a District Court to enforce a settlement agreement is an "important" issue as contemplated by *Cohen* at 337 U.S. 546 because:

1) Absent an immediate appeal, the immunity from trial bargained for and secured in a settlement agreement will be irretrievably lost.

2) The strong public interest in the settlement of litigation cannot be denied and, in addition, the public is often directly affected by settlements

in certain types of private litigation, patent litigation being notable among these.

3) Settlements adjust the rights of the parties in a manner that a judicial determination on the merits cannot. For example, a large number of patent disputes are settled by licenses or cross-licenses which could not be compelled by a court.

III.

ARGUMENT

A. In The Absence Of An Immediate Appeal, The Immunity From Trial Secured By A Settlement Agreement Will Be Lost

At the very center of every settlement agreement is the fundamental proposition that there shall *be no trial.* Settlement results because both parties agree that they desire to avoid the expense, rigor and uncertainty of trial. In fact, avoidance of trial is often *the* reason that litigation is settled.

A settlement is not a "mere defense" to liability. The defenses to liability are those defenses on the merits raised by the defending party which contain sufficient substance to cause a settling complaining party to believe that the better course is to achieve the best negotiated resolution which can be accomplished. Once this is done, each party has made a compromise (the Plaintiff's acceptance of a smaller liability than that asserted in the complaint and the Defendant's acceptance of some liability and relinquishment of its denial of liability) in order to obtain something of value: *immunity from trial.*

That this immunity arises from private agreement rather than a constitutionally created right, such as the Fifth Amendment protection from double jeopardy, does not make it any less an immunity from suit.

If a party which has agreed to settle litigation can turn about and force the other settling party to trial simply by raising a claim of fraud, lack of meeting of the minds, or some other device, a refusal by a District Court to enforce the settlement agreement will, without the right of immediate appeal, produce an almost certain and extremely unfortunate result: a trial on the merits or a forced renegotiation. Without appellate review, the settling party who desires to adhere to the settlement agreement will see a valuable right, immunity from trial, achieved through settlement slipping away and will have to consider whether to accept more onerous terms or to proceed on to a trial, a trial which would result in the irretrievable loss of the immunity previously bargained for.

Is such a loss of immunity "important" within the meaning of *Cohen*? Absolutely. As recognized by every jurisprudential philosopher, the indispensable cornerstone of any viable legal system is the proposition that:

Agreements must be kept.

If settling parties cannot have confidence that the right to enforce a settlement agreement carries with it a right of immediate appeal, the incentive to settle will be substantially diminished because any colorable allegation which persuades a District Court that an *issue exists* as to whether one party failed to disclose a material fact, as to whether a meeting of the minds occurred, as to whether settlement was finalized, *etc.*, will result in a

trial *not* on just those issues, but on *all* issues involved in the original lawsuit.

On the other hand, an immediate appeal works little or no hardship on the party attempting to have the settlement agreement put aside. Immediate appellate review of whether that party is a reneging party or has some legally cognizable reason for not being bound by the settlement agreement involves far less expense than a trial and provides a reasonable safeguard against game-playing by a settling party who, after settling, has a form of "buyer's remorse" and wants to undo the bargain.

B. Many Private Settlements, *e.g.*, Those In Patent Cases, Directly Affect The Public Interest

In addition to the general public policy favoring settlement of litigation, it is also the fact that some settlements of private litigation directly affect the public interest. This is particularly true in patent litigation which this Court has repeatedly recognized as strongly affecting the public interest, *e.g.*, in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) and, most recently, in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) where this Court, at 489 U.S. 146-157, reviewed the public importance of maintaining a careful balance between the need to promote innovation through the exclusive right granted by patents and the recognition that use of technology in the public domain should not be inhibited.

As recognized by the Federal Circuit Court of Appeals in *Hemstreet v. Spiegel, Inc.*, 851 F.2d 348, 350 (Fed. Cir. 1988), quoting from *Aro Corp. v. Allied Witan Co.*, 531 F.2d 1368, 1372 (6 Cir. 1976):

> "Settlement is of particular value in patent litigation, the nature of which is inordinately complex and time consuming. Settlement agreements should therefore be upheld whenever equitable and policy considerations so permit."

Thus, if this Court were to pronounce a ruling in this case which also prevented the immediate appealability of District Court refusals to enforce settlement agreements in patent cases, such a ruling would have the inevitable effect of rendering less stable the balance struck by Congress between public and private rights in the patent laws.

C. Settlement Agreements Adjust The Rights Of The Parties In A Manner That Judgment On The Merits Cannot

The give-and-take involved in any settlement negotiation produce a result different in kind from the win-all, lose-all effect of a court determination on the merits. Plainly, there are important benefits to society from settlements which modulate the potentially drastic results of a judgment on the merits. Once again, this is particularly true in patent cases where licenses and cross-licenses are typical, but such licenses could not be compelled in a judgment on the merits. The public benefits from patent licenses because two competitors (even though one is subject to the competitive burden of a license royalty) who provide a product are preferable to the single source (which would result if the patentee prevailed) and are also preferable to the discouragement

to innovation which results when the defendant prevails and patents are held invalid.

Thus, a right of immediate appeal to assure a review of the enforceability of a settlement agreement serves the public interest by protecting against erroneous refusals to permit negotiated adjustments of rights to stand.

D. The Decision In *Desktop* Is Not Well Reasoned

The flawed reasoning in *Desktop Direct, Inc. v. Digital Equipment Corp.*, 993 F.2d 755 (10 Cir. 1993) is plainly revealed at 993 F.2d 760 where the Court said:

> "We do not see how a private settlement contract is significantly different from the contracted forum selection clause the Supreme Court refused to enforce through interlocutory appeal in *Lauro Lines*."

For the reasons set forth above, the difference between a private settlement agreement and a forum selection clause (which, in *Lauro Lines S.R.L. v. Chasser*, 490 U.S. 495 (1989) happened to be on the back of a steamship ticket and merely specified the place where litigation would occur) is profoundly different from a settlement agreement in which a fundamentally important part of the bargain is that there be no trial at all. Indeed, even though the 10th Circuit in *Desktop* makes a token recognition at 993 F.2d 758 of the "general proposition" that encouragement of private settlements is "desirable," it provides no basis for its conclusion that this importance is not sufficiently large to comport with the requirements of *Cohen*. To state the truisms that a private settlement agreement is not a

constitutionally created right and that various statutory or contractual arrangements with regard to the time or place of trial do not create an immunity from trial is no substitute for a reasoned demonstration that a private settlement agreement does not (a) create an immunity from suit and (b) is not sufficiently important to qualify under *Cohen*.

It is, upon analysis, indisputable that a private settlement agreement creates an immunity from suit. This is precisely what the parties bargain for. The decision in *Desktop* erroneously views this immunity as a mere defense to liability and as not important enough to warrant immediate appeal when there is a District Court refusal to enforce it. It is respectfully submitted that a refusal by a District Court to enforce a settlement agreement should be immediately appealable under *Cohen* because this privately created immunity from suit serves a very valuable public policy purpose which would be severely diluted if an immediate appeal were not permitted.

CONCLUSION

Public policy considerations tip very heavily in favor of making District Court refusals to enforce settlement agreements immediately appealable under *Cohen*. The decision in *Desktop* presented to this Court for review misperceives the fundamental nature of a settlement agreement as nothing more than a defense to liability rather than the immunity from suit which it is. Spectra-Physics, as *Amicus Curiae*, urges this Court to recognize the importance of immediate appellate review of a refusal to enforce a settlement agreement as an indispensable adjunct to the strong public policy favoring settlement of litigation. Accordingly, it is submitted that

the decision by the 10th Circuit Court of Appeals in *Desktop* should be reversed.

Dated: December 14, 1993.

Respectfully submitted,

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